



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

28 February 2025

International Public Sector Accounting Standards Board

International Federation of Accountants
277 Wellington Street West
Toronto, ON M5V 3H2

Re: Exposure Draft - Sustainability Reporting Standards 1, Climate-related Disclosures

Thank you for the opportunity to provide feedback on the above Exposure Draft (ED). I am responding on behalf of the Office of the Auditor General of Canada.

The proposed standard would provide useful information about climate-related risks and opportunities and provide consistent, comparable and verifiable information to enable better decision-making and accountability among public sector entities.

The Office of the Auditor General of Canada has had legislated roles and responsibilities in federal environment and sustainable development matters since the 1995 amendments to the *Auditor General Act* that created, among other things, the position of the Commissioner of Environment and Sustainable Development. Since this time, the Office of the Auditor General of Canada has provided objective, independent analysis, and recommendations on the federal government's efforts to protect the environment, mitigate the effects of climate change, and foster sustainable development. The views outlined in this letter are informed by decades of past audit work published by the Commissioner of Environment and Sustainable Development on public policy programs aimed at climate change outcomes.

We agree and are generally supportive of many of the proposals outlined in the ED and will therefore not provide responses to Specific Matters for Comment (SMCs): 2, 5, 7, 8, 9, 10. We have focused our efforts on responding to those SMCs where we believe we can bring the most value, including 1, 3, 4, and 6. Our responses to these specific questions posed in the ED are provided below.

Yours sincerely,

Heather Miller, CPA, CMA
Assistant Auditor General

240 Sparks Street
Ottawa, Ontario K1A 0G6

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.

Yes, we agree the proposed approach (that is, requiring the 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) meets the information needs of primary users.

Given the role that public sector entities play in shaping climate policy and delivering on climate-related commitments in their respective jurisdictions, we believe it is important users obtain an understanding not only of the entity's own operations, but also the outcomes of public policies over which an entity has responsibilities, including financial commitments. This reporting would also allow for a comprehensive and standardized approach to reporting on climate-related public policy programs and their outcomes. We have further comments on how climate-related public policy programs and outcomes are defined in SMC 3 and 4 as described below.

In certain cases climate-related public policy outcomes are a shared responsibility among different jurisdictions (for example, federal, provincial and/or municipal). In Canada, certain regulations aimed at reducing greenhouse gas emissions require an agreement between different jurisdictions on how regulations will be implemented and enforced. For example, this is the case for the Reduction of Carbon Dioxide Emissions from Coal-Fired Generation of Electricity Regulations as well as the *Greenhouse Gas Pollution Pricing Act* which requires provincial jurisdiction to implement a carbon pricing system within their jurisdiction that meets the federal benchmark.

We therefore propose the disclosure requirements include, where relevant, a requirement that responsibilities be disclosed for climate-related public policy programs where climate-related outcomes are shared between jurisdictions. This may allow for some comparability among jurisdictions.

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?

Overall, we agree with the scope of the ED requiring disclosures about public policy programs.

However, we disagree that required disclosures focus on public policy programs with a “primary objective” to achieve climate-related outcomes. In our view, the description of “primary objective” for climate-related public policies may have the following unintended consequences on disclosures:

- focusing disclosures only on public policy programs that that were designed and developed with a primary objective to achieve positive climate-related outcomes;
- omitting public policy programs that were designed and developed to have multiple co-benefits, such as supporting workers' transition to new sectors to address any transitional risks relating to changes in the sector. For example, the shutting down of coal mines. This view is also noted in AV 3(c); and/or
- omitting public policy programs that may have a negative effect on climate, such as oil and gas development projects for example and will not be defined as having a primary climate-related outcome, thus driving further climate-related risks. For example, subsidies to a high emitting greenhouse gas emissions sector.

Although the list of public policy programs presented in AG2.4 is comprehensive, from an assurance perspective it may present challenges with regards to the determination of "primary objective" to achieve climate-related outcomes. As an alternative approach, we propose two ideas for your consideration:

1. We suggest the deletion of the word "primary" where it appears with the "objective to achieve climate-related outcomes", including the definition of "Climate-related public policy programs" and in the application guidance paragraphs 2.5-2.6. This may provide an opportunity for entities to determine what public policy programs are aligned with or contribute to climate-related outcomes.
2. We suggest that disclosures of climate-related public policy programs be required that are related to the disclosed climate-related risks and opportunities which can have significant impact (positive or negative) on **any** public policy program outcomes (see our proposed option in SMC 4). This may allow for a more complete view of the contribution of public policy programs outcomes to climate related risks and opportunities. In turn, this can support an understanding of policy coherence or incoherence between climate-related public policy programs and other public policy programs.

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?

Yes, we agree with the definitions and related guidance for (a) public policy programs and (b) public policy program outcomes.

No, we disagree with the definition and related guidance of (c) climate-related public policy programs. As noted above under our response to SMC 3, we foresee challenges in the approach for disclosure of public policy programs with a "primary objective" to achieve climate-related outcomes. We also note that while we don't disagree with the definition of public policy program outcomes as presented in the ED, it is broad, as it includes impacts on the economy, environment, and people. We believe this may be challenging for preparers to identify and define for each entity and public policy.

In our experience, having audited many climate-related public policy programs, these programs, which may include regulations, social programs, legislation, and/or incentives, are diverse. As such, the programs tend to have multiple outcomes; environmental, economic, and/or social. Alternatively, we propose the disclosure of climate-related public policy programs that are related to the climate-related physical and transitional risks and opportunities, which can have significant impact (positively or

negatively) on **any** public policy programs aimed at environmental, social, and economic outcomes. Our proposed change to the wording of the definition is below:

“Climate-related public policy programs are public policy programs ~~that impact with a primary objective to achieve~~ climate-related outcomes.” Using this definition, disclosures can include climate-related public policy programs that are related to addressing the climate-related risks and opportunities which can significantly impact (positively or negatively) **any** public policy program outcome. For example, if the entity reports a risk that a public policy program may increase greenhouse gas emissions, such as increasing subsidies to the energy sector, the entity may disclose any climate-related public policy program aimed at reducing emissions to mitigate the risk, such as regulations. This alignment between the disclosed risks and opportunities and the climate-related public policy programs may allow for a better understanding of the climate-related outcomes for public policy programs.

A climate-related public policy program would therefore be defined in relation to the disclosed climate-related risk or opportunity in terms of the impact on the expected outcomes of the program (positive or negative). For example, an entity discloses that there is a **risk** that a policy incentive will not get the expected uptake of electric vehicles due to lack of charging stations that would contribute to a clean energy transition. A public policy program is used to directly support companies that will install charging stations as an **opportunity** to increase the sales of electric vehicles. The cost of both the incentive and the direct support represents a direct alignment between the risk and the opportunity. The impact can be assessed by a variety of metrics such as the amount of funds allocated, the number of electric vehicle sales targeted, or the potential for emissions reductions.

These types of disclosures may be more supportable for audit purposes as they would require entities to clearly demonstrate how public policy programs are aligned to their climate-related risks and opportunities, their strategy, as well as their climate scenarios, with regards to any errors, omissions, and misstatements.

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?

Yes, we agree that the ED’s proposed disclosures (that is, 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) meet the information needs of primary users of the report. This is a critical element of the standard that is often missing from public information that will help public sector entities and investors understand the programs’ contribution to changes in greenhouse gas (GHG) emissions.

Further, in our view, the standard could benefit from more detailed application guidance regarding metrics and targets to ensure consistency and comparability among reporting entities. In our experience of performing performance audits on the reporting of climate policies and outcomes, we have noted significant challenges with metrics and targets around expected emissions reductions of climate-related public policy programs, such as:

- A reluctance to disclose assumptions that are inputs into the models due to the use of secret or confidential data;

- The use of overly optimistic assumptions in the models;
- Wide discrepancies in outcomes of models for the same program from different public sector organizations; and
- Challenges in attributing emissions reductions to one specific program due to the interactive nature of public policies.

In addition, we have noted that many climate-related public policy programs do not actually have GHG emissions reduction targets associated with them. Our 2023 audit of the 2030 Emissions Reduction Plan under the *Canadian Net Zero Emissions Accountability Act* found there were no expected emissions reductions for 76 of its 80 measures.

The draft standard does not currently offer any application guidance of frameworks for estimating expected changes in GHG emissions from public policy programs, and in our view, this may lead to both challenges and inconsistent reporting among reporting entities. We suggest that certain existing reporting frameworks which may be useful to guide preparers, such as the GHG Protocol for Policy and Action Standard or the GHG Protocol for Cities, be added as guidance within the standard.

Further for your consideration, there is guidance available from the Intergovernmental Panel on Climate Change and the associated requirement for national level governments to report annually to the United Nations Framework Convention on Climate Change. Each year governments are required to submit their National Inventory Report with consolidated data on historical national emissions; in these they are also required to line item each policy that contributes to emissions reductions. The data is published annually in the Spring following a specific methodology and reporting requirement; however, the data is two years later and therefore may not be considered timely. Some consideration of aligning these processes may be useful for consistency of data.