



Mr. Ian CARRUTHERS  
Chair  
*International Public Sector Sustainability Standards Board*  
Toronto, Canada

**RE: *Italian Foundation for Business Reporting (O.I.B.R.) – Comment letter to the IPSASB SRS Exposure Draft 1, Climate-related Disclosures***

Dear Mr. Carruthers,

We thank you for the opportunity given to comment on the *IPSASB SRS Exposure Draft 1, Climate-related Disclosures*.

The O.I.B.R. Foundation was established in June 2019, replacing the previous Italian body called N.I.B.R. (Italian Network for Business Reporting) which was founded in February 2012. It is a legally recognised Italian Foundation inspired by an inclusive approach and with an articulated governance structure able to guarantee all the interests at stake. It is a non-profit and multi-stakeholder body, with no commercial engagement, and that operates exclusively in the public interest.

The O.I.B.R. Foundation goals include the promotion of studies and researches; the definition and dissemination of guidelines and standards with a technical and practical orientation in the field of business reporting, non-financial disclosure, sustainability and integrated reporting in private, public and non-profit organizations, and the TCFD recommendations. The O.I.B.R. Foundation includes more than 70 Italian stakeholders interested in the implementation of the financial and non-financial international and national reporting standards, going from large listed companies to SMEs; Universities; professionals and managers; financial analysts and consultants. The O.I.B.R. Foundation is also an authoritative Italian voice in the international debate on corporate reporting (<https://www.fondazioneoibr.it/en/> – [info@fondazioneoibr.it](mailto:info@fondazioneoibr.it)).

The O.I.B.R. activity leverages on international support by key-players such as the Value Reporting Foundation, EFRAG, GRI, WICI, and the World Business Council for Sustainable Development (WBCSD). In 2021, the O.I.B.R. Foundation has been appointed as Full “International <IR> Council member” within the Value Reporting Foundation, being the only Italian entity represented there.

The main activities of O.I.B.R. Foundation are:

- Provide Italy with a common meeting and working platform;
- Represent a significant Italian voice in the global debate;
- Promote a new culture of reporting, transparency and governance in Italy and internationally;
- Develop and release local guidelines and standards;
- Conduct studies on topics that are felt as relevant by the Italian stakeholders;
- Organise multi-stakeholder working groups;



- Respond to, and engage with, national and international bodies such as EFRAG, ISSB, GRI, etc.

In the Appendix 1, we have enclosed our responses to the specific questions posed in the *IPSASB SRS Exposure Draft 1, Climate-related Disclosures*.

While we remain at your disposal, we thank you for the opportunity to collaborate with you and the IPSASB.

Sincerely yours,

Prof. Stefano Zambon, General Secretary, O.I.B.R. Foundation ([info@fondazioneoibr.it](mailto:info@fondazioneoibr.it))  
Full Professor of Accounting, University of Ferrara

Dr. Caterina Cavicchi, O.I.B.R. Foundation, Working Group on Public Healthcare Organizations  
Assistant Professor of Public Management, University of Ferrara

## ***Appendix 1***

### ***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 disclosure approach espoused by the IPSASB standard does not follow the double materiality principle. On the one hand, the financial materiality derived from identifying climate-related risks and opportunities and their impact on the financial position, financial performance and cash flows of the entity is clearly stated (par. AG1.32); on the other, lack of clarity emerges when focusing on impact materiality, which should instead be connected to the climate-related public policy program outcomes. This confusion is fuelled by a vague definition of materiality provided in par. B.AG29, and increases when looking at metrics required to disclose the progress towards outcomes. Issues regarding outcomes measurement are discussed as follows in response to Specific Matter to Comment 6.

### ***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?*

Par. B12 requires a public entity “to provide information in a manner that enables primary users of general purpose financial reports to understand connections both between the items that could reasonably be expected to affect the entity’s long-term fiscal sustainability and between disclosures provided by the entity in its general purpose financial reports” (B.AG54). In this regard, the references to IFRS S1 and S2 Standards and to the GHG Protocol Standard are appropriate.

### ***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?*

Including only mandatory disclosures of public policy programs with a *primary* objective to achieve climate-related outcomes is inadequate for the purpose of reporting. In par. AG2.4 it is stated as follows: “Many public policy programs may have an effect on climate, even though this may not be their primary objective, and therefore may not meet the definition to be considered a climate-related public policy program. For example, an entity’s public policy program to expand train networks may have a primary objective to reduce traffic congestion yet may also result in reduced emissions, or an entity’s policies to use coal energy may increase greenhouse gas emissions but have a primary objective to provide cost effective and stable electricity to rural areas. However, this [draft] Standard only requires disclosures about those public policy programs with a primary objective to achieve climate-related outcomes. An entity shall exercise judgment in identifying climate-related public policy programs.”

Consequently, public entities are not made accountable for other policies and programs they set that may have an effect on the climate (e.g. transport policies, as in the example indicated by the standard, that may affect the level of GHGs emissions in a given territory). This approach tends to oversimplify reporting, with the risk of sending a wrong message: not reporting the effects of other policies and programs that are not explicitly set for climate means implicitly rejecting the principle of triple bottom line (and trade-offs’ complexity) that should inform sustainable decision making of a public entity.

*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, definitions have been clearly provided. However, some of them (i.e., financed emissions, internal carbon prices, etc.) may not be easy to understand for both report preparers and primary users. Nevertheless, the use of examples in the draft helps facilitate the comprehension of the standard’s contents.

*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?*

The standard requires the entity to disclose information about its strategy for managing climate-related risks and opportunities to its own operations, including the climate resilience of the entity’s strategy and operational model to climate-related changes, developments, and uncertainties (par. 11, e)). To assess climate resilience of the strategy and operational model, the entity is required to conduct a scenario analysis. At par. AG1.46, it is stated that “an entity shall consider the available skills, capabilities and resources when determining an appropriate approach to use for its climate-related scenario analysis. These skills, capabilities and resources might include both internal and external skills, capabilities and resources. The entity’s available skills, capabilities and resources provide context to inform its consideration of the potential cost and level of effort

required by a particular approach to climate-related scenario analysis. For example, if an entity has only just begun to explore the use of climate-related scenario analysis to assess its climate resilience, it might be unable to use a quantitative or technically sophisticated approach to climate-related scenario analysis without undue cost or effort.” Furthermore, when conducting a scenario analysis, “The entity shall prioritize the analytical choices (for example, whether to use qualitative analysis or quantitative modelling) that will enable it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort” (par. AG1.58). This approach to reporting which -in addition to the entity’s own circumstances (par. AG1.42) - looks at the available skills and resources, and requires the application of evaluation techniques without undue cost and effort, could be risky. If the entity's knowledge and skills on scenario analysis implementation is scarce, then there is a risk that the analysis conducted is of poor quality, being unable to correctly identify climate-related risks and opportunities and the potential impacts on its own operations, or the outcomes of the defined climate-related programs.

The reporting process by a public entity must require a minimum investment in terms of resources and skills, if the aim is to satisfy primary users’ information needs, but also to use the report for its own decision-making (as recognized in par. C39). In fact, the learning effect that comes from implementing the analysis is also recognized by the standard itself (par. AG1.47 and AG1.61).

The same considerations can be made for the disclosure of anticipated financial effects (AG1.35).

*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?*

The definition of climate-related public policy program outcomes provided in the par. 7 of the standard -*as the impacts on the economy, environment and/or people, which occur as a result of, or are reasonably attributable to, the public policy programs*- is not consistent with the approach proposed for their measurement and disclosure. Although it is recognized that the impacts of climate-related public policy programs can be social, economic or environmental, their measurement and disclosure have to be provided in terms of reduction or increase in GHGs emissions (par. 26 a) ), or in terms of other performance monitoring metrics (par. 26b, which has a financial or environmental connotation (AG2.39, from a) to h)) (e.g. the amount or percentage of the scope of the entity's policy setting responsibilities (e.g., geography, services, individuals or entities) that is vulnerable to climate-related physical risks; internal carbon prices; sinks and reservoirs, for example land use, land-use change and forestry management metrics, etc.). These metrics may be difficult for primary users of the general purpose financial report (i.e. service recipients, eligible residents and taxpayers, resource providers) to understand, although it is acknowledged that the information provided in compliance with the standard’s requirement is aimed at informing the decision-making of *primary users with reasonable knowledge of public sector programs and operations who review and analyze the information diligently* (B.AG32). As the standard itself states “*At times, even well-informed users may need an adviser to understand climate-related information*”. This limits access to information for primary users who lack the necessary and sufficient knowledge to understand whether and to what extent the public entity is making an adequate commitment to the challenges posed by climate change. Secondly, if disclosure is meant to inform the decisions of primary users, it would be appropriate to include metrics that consider, at least for the service recipients, the impact of climate-related programs on people's quality of life. Internationally recognized standards such as GRI, may provide guidance as referred to impact materiality. It is, however, appreciable that the stakeholder engagement approach has been included to better *identify climate-related risks and opportunities and, where applicable, climate-related public policy program outcomes* (B.AG16- B.AG18).

*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 already mentioned in Comment 1, to meet the information needs of primary users, IPSASB needs to fully embrace the double materiality principle in setting disclosure requirements. More in depth, to better elucidate impact materiality other international standards such as the European ESRS standards issued by the Corporate Sustainability Reporting Directive or the GRI could be referenced.

*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?*

At par. 31 it is stated that: “In the first annual reporting period in which an entity applies this [draft] Standard, the entity is permitted to use the relief below:

- (a) The entity is permitted to report its climate-related disclosures after it publishes its related financial statements, within nine months of the end of the annual reporting period in which the entity first applies this [draft] Standard;
- (b) An entity is not required to disclose its Scope 3 greenhouse gas emissions (see paragraph 17(a)(i)c); and
- (c) An entity is not required to disclose the change in greenhouse gas emissions from climate-related public policy programs that were in place on the date of adoption of this [draft] Standard (see paragraph 26(a)).”

With regard to letter b), a relief of one year may not be sufficient to collect value chain data on GHGs emissions. Capacity building represents an issue especially for those micro and small entities that lack human, structural and intellectual capital to engage in the climate-related reporting process. With regard to letter c), the fact that the entity is not required to disclose the change in greenhouse gas emissions from climate-related public policy programs that were in place on the date of adoption of the standard, risks to under/overestimate climate-related risks and opportunities as well as climate-related public program’s outcomes (when applicable). Furthermore, given that outcomes generally require time to be realized with respect to the implementation of an entity’s strategy, it is necessary to understand what programs generated them and how outcomes’ achievement can inform future planning activities.

*Specific Matter for Comment 10: Other Comments*

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

None.