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The International Public Sector Accounting Standards Board

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Submission via website

24 March 2025

Dear Ross

**COMMENT ON EXPOSURE DRAFT ON *PROPOSED INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB) SUSTAINABILITY REPORTING STANDARD™ ON CLIMATE-RELATED DISCLOSURES* (IPSASB SRS ED 1)**

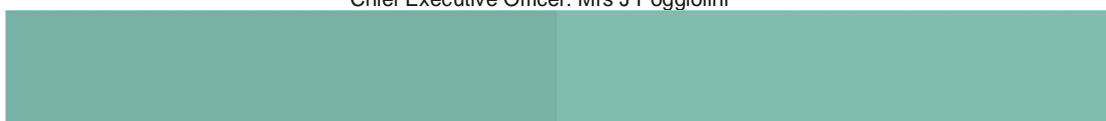
We thank you for the opportunity to comment on the ED.

We issued the ED for comment in our jurisdiction. We held a number of roundtable discussions to solicit views from policy-setters, policy-implementers, preparers of financial statements, auditors, accounting and sustainability reporting experts, academics, consultants, professional bodies and users. We also received written responses from our stakeholders on the proposals in the ED. The comments outlined in this response have been developed by the Secretariat of the ASB and not the Board.

The impact of sustainability matters on the public sector may be greater than on the private sector. It impacts the fiscus, sovereign ratings and can cause social unrest. The impact that government has on climate action is far reaching when compared to the private sector because government has the ability to influence the decisions and behaviors of entities and individuals through exercising its powers to tax or regulate activities relating to climate action. Our stakeholders agreed that climate-related disclosures on an entity's own operations and an entity's public policy programmes (PPP) are both important. However, they emphasised that PPP disclosure is more urgent and relevant in the public sector.

The purpose of reporting on an entity's own operations and reporting on PPP is different. Combining the requirements in one Standard, together with the respective appendixes, makes the Standard confusing and difficult to read and apply. We propose two separate Standards for climate-related disclosures on:

Board Members: Mr A van der Burgh (Chair), Ms A Carstens, Mr A Hardien, Ms W de Jager,  
Mr D Dlamini, Mr S Gcwabe, Mr S Khan, Ms A Muller  
Chief Executive Officer: Mrs J Poggiolini



1. an entity's own operations; and
2. the outcomes of PPP.

Our reasons for proposing two separate Standards are included in responses to the specific matters for comment, outlined below.

The International Sustainability Standards Board (ISSB) plans to issue narrow-scope amendments to IFRS S2, *Climate-related Disclosures* in the second quarter of 2025. The amendments are practical changes which aim to simplify the requirements to reduce the burden for entities and jurisdictions in adopting the ISSB Standards. As IPSASB SRS ED 1 is based on IFRS S2, we propose that the IPSASB considers the amendments in IFRS S2 before finalising IPSASB SRS ED 1.

Should you have any questions regarding the comment outlined in this letter, please feel free to contact me.

Yours sincerely



Elizna van der Westhuizen

Head of Technical

## SPECIFIC MATTERS FOR COMMENT

### **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.***

**We disagree with the ED requiring disclosures from an entity about the (i) climate-related risks and opportunities that are expected to affect its own operations and (ii) climate-related PPP and their outcomes in one Standard. We propose two separate Standards for climate-related disclosures on an entity's own operations and the outcomes of PPP.**

### Understandability and user friendliness

Including own operations and PPP disclosures in one Standard leads to confusion on numerous fronts. The core text, appendices, basis for conclusions, implementation guidance and illustrative examples make the ED long and difficult to follow. The ED is difficult to apply when reading disclosures about an entity's own operations alongside PPP disclosures – refer to specific matter for comment 7 for an example. If the requirements are separated, the application of the Standards will be easier.

### Combining two purposes in one Standard

The purpose of reporting on an entity's own operations and reporting on PPP is different. Reporting on risks and opportunities to an entity's own operations and the outcomes of PPP are different in areas such as:

- internal and external processes and systems;
- skills and expertise;
- internal and external reporting structures; and
- methodological approaches for the determination and quantification of metrics and targets.

Furthermore, the requirements on PPP in the ED are not expected to be applicable to all entities while reporting on own operations are; therefore separating the requirements into two Standards will assist entities to identify what Standard(s) is relevant to them.

### Urgency

Stakeholders indicated a higher sense of urgency for disclosures on the outcomes of PPP than on an entity's own operations. This further supports the need for two Standards as the urgency of the disclosures may not be the same in all jurisdictions. It is proposed to not delay

the release of the PPP requirements. The requirements in the ED aligned to IFRS S2 are proposed to be released after the IPSASB has considered the upcoming amendments in IFRS S2 – refer to the discussion below.

#### Considering amendments from the ISSB Standards

Amendments to IFRS S2 are expected soon. Alignment of IPSASB SRS ED 1 to IFRS S2 supports consistency between public and private sector reporting, which is important to support investment from capital markets. We recommend that the IPSASB follows its due process to include these amendments in IPSASB SRS ED 1 before issuing the Standard.

As the realm of sustainability reporting evolves, future amendments are anticipated to IFRS S2 to cater for application and implementation issues. A separate Standard for disclosure of climate-related risks and opportunities to an entity's own operations is:

- more adaptable to changes from IFRS S2; and
- easier for IPSASB constituents to track, understand and provide comment when changes are proposed.

#### **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 agree that the ED aligns disclosure requirements about an entity's own operations to private sector guidance (IFRS S1 and S2) with additional public sector guidance, including the rebuttable presumption proposed in the ED.**

Other than the GHG Protocol Corporate Standard: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol), stakeholders have indicated that entities use the Intergovernmental Panel on Climate Change (IPCC). There could also be other generally accepted methods used by jurisdictions. Further support for the rebuttable presumption in the ED is that the recent amendments expected in IFRS S2 include jurisdictional relief to use a method other than the GHG Protocol to measure greenhouse gas emissions.

#### **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?**

***The Exposure Draft includes an Alternative View on the approach to climate-related public policy programs.***

**We agree that the ED requires disclosures about PPP with a primary objective to achieve climate-related outcomes.**

We have heard different views on this specific matter for comment. Some stakeholders were concerned that there is a risk of greenwashing. The scope of the ED is narrow as it only requires disclosures on PPP with a primary objective to achieve climate-related outcomes. The result is that negative emissions will not necessarily be recorded.

We understand that if the requirements are broadened to include all PPPs with an impact on climate, whether or not that is the primary objective, the ED may become too onerous to adopt and apply on an ongoing basis. On balance, we therefore support the proposal in the ED.

To avoid a user misunderstanding the scope of the information, we propose that the IPSASB adds to the communication material on the Standard that the information on climate-related PPP required by the Standard may need to be read in conjunction with other information of the entity and/or its jurisdiction to get a complete picture of the effect of PPP on climate.

**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 agree with the public sector definitions and related guidance. However, we propose that the IPSASB explains the term “sovereign powers” contained in the definition of PPP.**

Paragraph 7. has reference:

*Public policy programs are any type or set of interventions taken or mandated by a public sector entity exercising its sovereign powers to influence the decisions or behaviors of other entities or individuals.*

Our stakeholders required clarity on two aspects relating to the term “sovereign powers”:

- They firstly questioned the type of mechanisms that convey sovereign powers to an entity. They required clarity on whether sovereign powers arise from a Constitutional mandate or whether it can be a mandate by any other legislation.
- Secondly, they questioned whether lower levels of government, such as provincial and local government, could have sovereign powers. Implementation Guidance, paragraph IG4. explains that a lower level of government does not have national level sovereign powers but can have a PPP flowing from a PPP of national government. It is, however, unclear how the understanding of sovereign powers is applied to the lower level of government whose policy otherwise meets the definition of a PPP.

**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 agree with the disclosure requirements on strategy for climate-related PPP in the ED.**

We noted that some disclosures about an entity's strategy may be sensitive and may have unintended consequences, such as political or social turmoil, if released into the public domain. This may be the case for disclosures about anticipated information in paragraphs 12(c) and Application Guidance AG2.29-AG2.31, for example the receipt of anticipated loans, the provision of anticipated investments or the anticipated increase in tax revenue. We propose that the IPSASB reconsider the disclosure requirements in the Application Guidance paragraphs AG2.29-AG2.31 *Financial implications of climate-related public policy programs*, where the information is sensitive.

**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 for the ED to require disclosures about metrics and targets, including (a) the change in greenhouse gas emissions and (b) other metrics in relation to climate-related PPP.**

**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?

**We agree with the definition of materiality in the ED.**

Stakeholders, especially those in the private sector, were unsure how double materiality is considered in the ED. They understood the reporting on PPP outcomes to be similar to the Global Reporting Initiative's (GRI) impact reporting. Many experts in the field are familiar with GRI impact reporting and, most recently, IFRS S2. It is important that these experts already in the field of sustainability reporting are able to understand how the IPSASB's materiality compares and applies to both an entity's own operations and PPP. The definitions of "material information" and "primary users of general purpose financial reports" imply that double materiality is considered but this is not explicitly stated in the ED. We propose that the IPSASB consider explaining this in the Basis for Conclusions and in its communication material or educational guidance.

Appendix B, paragraph B8. has reference:

*An entity shall disclose material information about an entity's climate-related risks and opportunities and, where applicable, climate-related public policy program outcomes.*

Stakeholders misunderstood this paragraph to read that disclosure of material information for climate-related PPP is applicable in certain instances. There may be other instances where the "where applicable" text is ambiguous in the ED. This is an example of how the ED is confusing when reading disclosures about an entity's own operations alongside an entity's PPP (also see specific matter for comment 1).

**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 agree that the ED includes general requirements aligned with IFRS S1, including the requirements for (a) an entity to include its climate-related disclosures in its general purpose financial reports and (b) an entity to report its climate-related disclosures at the same time as its financial statements. Also see *Next IPSASB sustainability reporting topic* in Specific matter for comment 10.**

We noted that the timing of the measurement of some metrics and targets may be different to the reporting date of the entity. This may result in entities including information in their general purpose financial reports that are measured at a date different to their reporting date. We recommend that the IPSASB provides guidance on this and consider including disclosure of the date at which the metric or target was last measured, where this date is different to the reporting date.

Entities may not measure other metrics of climate-related PPP (as described in paragraph 26(b).) annually at their reporting date and may measure some metrics less frequently or at different dates. The IPSASB should consider requiring this information at the same frequency the entity uses to measure and monitor the performance in relation to its climate-related PPP. Disclosure of information to explain the frequency and date of measurement should also be considered.



#### **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 disagree that transitional relief should only be provided in the first year of adoption.**

Our stakeholders recommended the transitional provisions be extended past the first year of adoption as:

- The implementation of the Standard would result in significant changes to an entity's systems and staff skills.
- Scope 3 emissions require considerable effort to determine.
- The effective date of the Standard should not be delayed as it may become outdated compared to the ISSB Standards. Thus, a longer relief in terms of the transitional provisions may be more helpful to adopters than delaying the effective date of the Standard.

We have been made aware of the work done by the Transitional Plan Taskforce of the IFRS Foundation, and it may be relevant to the implementation of IPSASB SRS ED 1. We recommend the IPSASB considers whether this will be useful for its constituents.

#### **Specific matter for comment 10: Other Comments**

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

Clarity required in Appendix A2, paragraph AG2.16.

Paragraph AG2.16. has reference:

*Disclosures about an entity's climate-related public policy programs are focused on understanding the objectives of the climate-related public policy programs and their outcomes, including whether they are achieving their intended outcomes.*

The last part of the sentence on "*whether they are achieving their intended outcomes*" may give the impression that the ED requires an entity to disclose information on the effectiveness of climate-related PPP, which may rather be in the scope of other general purpose financial reports. Paragraph AG2.16 may need to be reworded to align to the detailed requirements.

Consistent use of terminology

We recommend that the defined terms are used consistently throughout the ED. For example, paragraph 26(b)(i) refers to "*Other metrics the entity uses to measure and monitor the performance in relation to its climate-related public policies...*" (instead of public policy programs).

Implementation concerns

The following concerns were raised on the implementation of the Standard:



- A shortage of sustainability skills and capacity constraints to appropriately adopt and apply the Standard.
- Costs to change or add to an entity's internal processes and systems may not be justifiable as an appropriate use of public funds.
- There are existing reporting requirements on sustainability. Stakeholders questioned how IPSASB SRS ED 1 coherently fits with other existing reporting, such as service performance reporting, and whether it is interoperable with other sustainability reporting requirements.

#### Communication material and educational guidance

Sustainability reporting is a new discipline for most entities. Stakeholders in our jurisdiction expressed a need for a simpler explanation of the requirements in the ED. We recommend that the IPSASB develops communication material or educational guidance to explain climate-related disclosures more simply and to show examples of reporting where the Standard is applied.

Such material can also be used to address some of the implementation concerns raised above, e.g. for the third point, the IPSASB can publish material to explain where the Standard fits in the broader reporting landscape.

#### Next IPSASB sustainability reporting topic

Jurisdictions have different priorities in terms of their sustainability concerns. Some jurisdictions may not be interested in adopting the Standard at this point as their focus is not climate reporting. For example, Africa contributes the least carbon emissions when compared to other continents and may focus on reporting on other Sustainable Development Goals (SDGs) that are a bigger priority than climate. This speaks to a need for a separate Standard on the general requirements and conceptual foundations of sustainability reporting. A Standard on the general requirements of sustainability reporting would help constituents disclose information on other sustainability topics where they have different SDG priorities in their jurisdiction.