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February 28, 2025

RE: SUSTAINABILITY REPORTING STANDARD EXPOSURE DRAFT 1 – CLIMATE RELATED DISCLOSURES

Thank you for the opportunity to provide our comments on the International Public Sector Accounting Board's (IPSAB) Sustainability Reporting Standard Exposure Draft 1, Climate Related Disclosures. The development of public sector focused climate disclosures is a true milestone, and we applaud IPSASB's work developing this guidance in a timely fashion.

Our response to your specific matters for comment on this Exposure Draft are outlined below. We are generally supportive of the Board's views, and look forward to supporting public sector entities in adopting this standard.

I would welcome the opportunity to discuss our views with you at any time.

Best regards,

A handwritten signature in black ink, appearing to read "Bailey Church", with a stylized flourish at the end.

Bailey Church, CPA, CA, CIA
Chair, Global International Public Sector Accounting Standards Working Group
KPMG LLP



- 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??**

Yes, we support IPSASB's proposed approach to require disclosures related to both an entity's own operations, and climate-related public policy programs and their outcomes that they are responsible for. We do, however, caution about the resulting expansion to the "reporting entity" concept arising from disclosure requirements for climate-related public policy programs. Outcomes of such programs are largely dependent on the actions or inactions of the broader market or society. While the public sector entity may hold responsibility for a particular policy program, they may have minimal control over the actions of others. We agree the disclosure is important for public sector entities but encourage appropriate note disclosures to explain what is in or out of the public sector entity's control.

- 2. 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. Alignment with IFRS S1 and S2 supports global consistency in sustainability reporting, which we believe is an important principal for the private and public sector. We also concur with the rebuttable presumption that entities use the GHG Protocol: A Corporate Accounting and Reporting Standard, based on the principal of global consistency.

- 3. 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?**

We support IPSASB's proposed approach regarding disclosures for public policy programs with a primary objective to achieve climate related outcomes. As noted above, we have concerns regarding the expansion to the reporting entity concept for climate-related public policy programs, where the program outcomes are largely dependent on other entities. This same concern would apply for programs administered jointly with other public or private sector actors, as alluded to in AG2.4(e).



One of the challenges for users of these climate disclosures may be aligning the scope with the reporting entity concept applied for general purpose financial statements. As noted in BC4.1 of the Basis of Conclusions for IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities:

"The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability and decision-making purposes."

Certain disclosures for public policy programs with a primary objective to achieve climate-related outcomes will inevitably fall out of the public sector entity's control, though it may be deemed as part of their accountabilities. A balance will need to be struck between the required reporting, and what is directly in the public sector entity's control through appropriate disclosures.

- 4. 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 concur with the proposed public sector-specific definitions and guidance.

- 5. 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, we agree that the disclosure requirements on strategy for climate-related public policy programs would meet the information needs of primary users. One additional factor that we would cite for AG2.27 includes political factors. Current trends suggest an inconsistent willingness to maintain climate-related public policy programs across all actors in the political spectrum. A change in governing parties can impact an entity's ability to achieve program outcomes and could result in certain policy programs being rescinded.

- 6. 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 support the required disclosures for metrics and targets for climate-related public policy programs. Depending on the nature of the program, our view is that the disclosures with respect to changes in greenhouse gas emissions may not be the most relevant or appropriate measure of



the program's outcome or performance. Given this, we would suggest that the disclosures of changes in greenhouse gas emissions be based on relevance to the program's objectives.

- 7. 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, we believe that the proposed definition of materiality as based on IPSASB's conceptual framework will meet the information needs of primary users of climate-related disclosures.

- 8. 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, we are of the view that the disclosure requirements in the general requirements section are appropriate for public sector entities. We would suggest that IPSASB expand "other guidance" references in B20(a), which cite that an entity "...may consider other guidance such as SASB Standards or GRI Sector Standards." While we recognize that this is not intended to be a complete list, we see benefit in referencing the European Sustainability Reporting Standards, which do propose comprehensive climate disclosures.

We recognize the concern of many public sector entities and their stakeholders with the length of general-purpose financial reports, and the difficulty of navigating them. While the inclusion of these climate disclosures will only add to the magnitude of these reports, we support the inclusion of this information in the general-purpose financial reports as a key accountability reference.

- 9. 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?**

Yes, we support the transitional provisions provided in the exposure draft and concur they should be applicable to both an entity's own operations and where applicable, climate-related public policy programs and their outcomes.

Consistent with the transitional provisions in the IFRS S2 Climate Disclosures standard, we would suggest the inclusion of transitional relief for the application of the GHG Protocol. IFRS S2 C4(a)



provides that, “if, in the annual reporting period immediately preceding the date of initial application of this Standard, the entity used a method for measuring its greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the entity is permitted to continue using that other method.” We believe a similar transitional relief would be helpful for public sector entities in the first year of adoption.

We would also suggest the consideration of transitional relief related to the use of quantitative climate-related scenario analysis to assess climate resilience.

10. Specific Matter for Comment 10: Other Comments. Do you have any other comments on the proposed Exposure Draft?

No, we do not have any other comments to add.