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International Public Sector Accounting Standards Board (IPSASB)

Via email

Dear IPSASB,

Our response to your exposure draft *Climate Related Disclosures* exposure draft is below.

Overall, we support the exposure draft. We support the inclusion of public policy programs in assessing the environmental impact of a public sector entity. In our view, it is of little relevance to report a public sector entity's own emissions when it has the ability to influence the overall emissions of its jurisdiction through its public policy programs. This is because public sector entities, particularly governments and regulatory bodies, play a much larger and more impactful role in shaping environmental outcomes through policy decision, regulatory frameworks, and public programs. By leveraging these mechanisms, they can drive systemic emissions reductions that extend far beyond their own operational footprint.

We agree with the disclosures of climate related risks and opportunities for an entity's own operations and climate-related public policy programs, the approach and guidance for own operations, the approach and scope of public policy programs including definitions, metrics and targets. We agree with the general requirements other than we believe the structure of including these with a specific topic standard does not scale well to other sustainability topics and should be reconsidered, as noted below.

We note that there are several interrelationships among climate change and other sustainability topics. For example, just (fair) transition involves balancing climate change actions with preserving economic well-being, poverty reduction, biodiversity preservation, energy usage, and many other topics. Focusing on only one topic (climate change) may result in reporting that is of less relevance and does not recognize the intrinsic complexities and tradeoffs. The conceptual thinking on this has already been done in the global baseline GRI standards, and should be adopted by IPSASB, with addition of public policy programs of an entity in each relevant (material) topic. Failing to do so risks framing sustainability solely in terms of climate change, while also reducing the relevance, completeness, understandability, and neutrality of sustainability reporting.

We disagree that the users are the same as general purpose financial reports and the emphasis in the standard on financial implications. Sustainability reporting for public sector entities has different users, particular because of the reporting of public policy programs. We agree with IPSASB conceptual framework that primary users are legislature and members of parliament and

[1] The views herein are those of the authors and do not necessarily reflect the views of the Office of the Auditor General of Alberta.

citizens, but do not agree that primary users are firstly service recipients and resource providers. We note “service recipients” may be important users if they include those impacted by the public policy programs in the scope of the standard, but these often may not be direct service recipients. We also do not think “resource providers” are primary users because in the sustainability context it is not clear who is providing resources, and we disagree with emphasis in the standard on financial implications, which we think belongs more in financial statements or budget documents or management discussion and analyses documents, not the sustainability disclosures themselves, and believe these should be included as optional disclosures only. This maintains the focus on sustainability and emissions in particular, and avoids reducing sustainability to a financial matter. We agree that financial statements are about resources and claims on those resources, and inflows and outflows regarding those resources, but there is no sustainability statement of financial position or statement of operations, so resource recipients and providers are much less important users. There is no need to subordinate sustainability reporting by stating that something in an entity’s sustainability reporting is only relevant if it is relevant to users of a different report (i.e. financial reports): sustainability reporting stands on its own. Therefore, we suggest that the standard recognize the primary users as legislature and members of parliament, citizens, and private sector entities.

We believe an important part of reporting is the actual actions taken by the entity, either regarding its own emissions or in terms of implemented public policy programs. Strategy, risks, opportunities or targets are not actions taken. While metrics report actuals, there should also be a requirement to explain the actions taken which achieved the outcomes i.e. changes in those metrics.

We believe the standard is not structured properly and will impair IPSASB’s future sustainability standard setting. For example, the general disclosures are includes as an appendix. So would an IPSAS biodiversity sustainability standard also include Appendix B General Requirements and Appendix C Qualitative Characteristics? Would these appendices also be added to future IPSAS energy, water, waste etc. sustainability standards? We hope that IPSASB has a vision that extends beyond climate change disclosures, and think IPSASB should articulate that vision now. That will ensure it has the right structure of its sustainability standards in place going forward. In our view, the IPSASB sustainability standards should be structured more in line with the GRI standards, so have general requirements (like GRI 1 and 2), materiality process requirements (like GRI 2), and then various topic-specific disclosures. Notwithstanding the above, we support that IPSASB has included references to SASB and the GRI standards. We also think the UN Sustainable Development Goals should be added, as it ensures alignment with global standards, promotes a holistic approach to sustainability, enhances policy relevance, and improves comparability and accountability in public sector reporting.

As a technical matter concerning the public sector entity’s Scope 3 emissions, we note the standard has not adequately reconceptualized the concept of “value chain” into the public sector context. It is not clear whether scope 3 emissions of a public sector entity include emissions associated with “suppliers” to the entity such as taxpayers or royalty-payors. For example, a public sector entity may have revenues from non-renewable resource royalties. There may be GHG emissions associated with the activities that led to those revenues, such as production of oil and gas by private sector entities. More generally, the tax revenues of a public sector entity have private sector activities associated with them that may have led to GHG emissions. Conceptually, how are these or are these not scope 3 emissions? Similarly, if a public sector entity provides government transfers to private sector entities and those transfers fund activity that produces GHG emission, are those to be considered “downstream” GHG emissions? The corporate GHG protocol is insufficient to determine this because non-exchange transfers do not occur in the corporate private sector. IPSASB should add specific guidance on scope 3 emissions for public sector entities, as the current standard might not fully account for the unique relationships between public sector activities and private sector actions, leaving uncertainty about whether such emissions should be included under Scope 3. Public sector entities can have far-reaching impacts through policies and revenue generation activities, which complicates the definition of emission boundaries.

We encourage IPSASB to consider what comparative reporting is appropriate for public policy programs. Comparative reporting is required for all amounts. It is likely not feasible to include comparative narrative public policy program information. However, information where public policy programs have changed period over period may be useful. We encourage IPSASB to include requirements or guidance on how an entity reports changes in its public policy programs.

Sincerely,

Wayne Morgan

Byron Ofner