TE TAI ŌHANGA
THE TREASURY

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International Federation of Accountants
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CANADA

Dear Ross

Exposure Drafts – IPSASB SRS ED 1 Climate RELATED DISCLOSURES

Thank you for the opportunity to respond to the IPSASB SRS Exposure Draft (ED) 1 (SRS ED 1).

The New Zealand Treasury is responsible for the New Zealand Government's accounting policies that comply with NZ GAAP for the public sector based on IPSAS.

Climate Change is a pressing issue, and there is a need for coordinated action across all sectors of economies to lead change. Generally accepted reporting standards should be most valuable to that endeavour. Standardised reporting requirements could efficiently meet the demands of investors in sovereign bonds, they could provide transparency and accountability for public sector entities' climate mitigation and adaptation activity.

Unfortunately, the proposed SRS ED 1 will not achieve those objectives.

It will not meet the demands of investors in sovereign bonds

Internationally, the ISSB has led the way in consolidating a number of corporate reporting developments (i.e. the Task Force on Climate-related Financial Disclosures, the Climate Disclosure Standards Board, the Value Reporting Foundation, the Sustainability Accounting Standards Board and the International Integrated Reporting Council). It has gathered international support with its work to develop sustainability disclosure standards backed by the G7, the G20, the International Organization of Securities Commissions (IOSCO), the Financial Stability Board, African Finance

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Ministers and Finance Ministers and Central Bank Governors from more than 40 jurisdictions.

The resulting IFRS S1 and IFRS S2 therefore have the potential of reducing the ‘alphabet soup’ of requirements facing preparers, and ensuring the information needs of investors are met.

There is a similar alphabet soup of requirements developing for those investing in public sector activities. The New Zealand Treasury is aware of:

- The Partnership for Carbon Accounting Financials (PCAF) standard enabling financial institutions to assess and disclose greenhouse gas emissions associated with seven asset classes including sovereign debt.
- The Assessing Sovereign Climate-related Opportunities and Risks Project (ASCOR), an investor-led initiative with the specific aim of providing a tool for climate-related assessments of sovereigns.
- The International Capital Market Association (ICMA) has developed a Harmonised Framework for Impact Reporting as part of the Green Bond principles.
- The UNFCCC's Enhanced Transparency Framework outlined in the 2015 Paris Agreement
- The Global Footprint’s Report on Carbon Disclosure and Climate Risk in Sovereign Bonds
- The SDG National Reporting Initiative that facilitates information-sharing for reporting on the UN Sustainable Development Goals (SDGs) between international, regional, and local communities.
- The UN supported Principles for Responsible Investment (PRI)

In addition, large institutional investors and rating agencies are individually determining their own specific requirements and requesting information from issuers of sovereign debt.

In that context it would be helpful for both investors and the public sector to have a more harmonised and standardised approach to lower our joint transaction costs. It would be helpful for the IPSASB to facilitate a coalition of coalitions so that the needs of sovereign investors can be more efficiently met.

Unfortunately, that is not what the proposed SRS ED 1 does. Most notably, information about the jurisdiction of the sovereign, and its mitigation and adaptation are missing from SRS ED 1 but are clearly important to investors.

Conversely, we observe little or no evidence that sovereign investors are interested in the partial information on climate related public policy programs with a primary objective to achieve climate-related outcomes, as required under the proposed SRS.

The learnings from voluntary climate disclosures by public sector entities to date point to a different direction than the proposed SRS.

Voluntary climate disclosure reporting by public sector entities following the TCFD approach, and IFRS S2 equivalents have shown value in articulating risk management decision-making and practice by public sector entities and can provide a spur to improve these practices. Where carbon reduction targets are in place, reporting of progress against those targets is worthwhile from a transparency and accountability perspective. We are therefore broadly supportive of a TCFD four pillars structure approach for certain public entities when reporting climate change risks and opportunities around their own operations.
However, early evidence from these voluntary disclosures has also revealed challenges and negative impacts from climate disclosures based on a TCFD four pillars structure where:

- Reporting on governance in the public sector has proven challenging. Often public sector entities are delegated tasks for which they do not have governance responsibility. Directions the public sector entity must follow and checks and balances on its activity are usually external to the public sector reporting entity – either leading to reporting beyond what the entity is responsible or accountable for, or risking providing an incomplete and misleading reflection of governance activity.
- There are challenges in determining the scope of reporting on risk. As risk is the impact of uncertainty on objectives, and public sector entities have multiple and varied public benefit objectives (compared to the pervasive profit objective of entities subject to ISSB S2) there are challenges in defining the scope of reporting on risk. For example, if an entity is responsible for stewarding part of a regulatory system, the extent of reporting on the risk of climate change to that regulatory system, in conjunction with responsibilities of other entities, is a significant challenge.
- The inappropriateness of value chain analysis for many public sector entities, for example those involved in regulatory activities creates challenges. Often that renders Scope 3 reporting a wasteful and useless effort.

In that context it would be helpful for the IPSASB to research the benefits and disadvantages of these emerging practices, and to apply those learnings in the development of any standard. However,

- By not developing guidance on governance and risk management that considers the varied governance arrangements and the varied objectives of public sector entities, it fails to provide a useful resource to preparers.
- By developing a partial, incomplete approach to reporting on climate change impact, it has created a novel approach, inconsistent with more substantial approaches aimed at progressing and reporting climate change mitigation by Governments. The Treasury is unaware of any jurisdiction or entity that has successfully adopted such an approach envisaged by the proposed SRS.

Accordingly, we agree with the Alternative View that the requirements for disclosures on climate-related public policy programs should be removed from this project.

Our preference is that disclosures with respect to own operations should also be reconsidered, particularly with a focus on guidance on governance and risk management that considers the varied governance arrangements and the varied objectives of public sector entities. We also recommend that SRS ED 1 for own operations is simplified and shortened. The ED as currently drafted is difficult to read and understand and this is likely to be a barrier to wide adoption. We also recommend that some of the more detailed disclosure requirements need to be revisited following further research on the benefits and disadvantages of actual emerging practices using a TCFD four pillars structure or an aligned IFRS S2. If such changes are not considered, we think the SRS ED 1 for own operations is issued as non-mandatory recommended practice for the use of those few entities that see net benefit from the disclosures currently proposed.

We believe such a course of action is consistent with the responses of a majority of submitters on the Consultation Paper*: Advancing Public Sector Sustainability Reporting* who made such comments as:

- "the IPSASB is entering into a new field
- "coordination with other bodies is critical"
- "the importance of the IPSASB utilizing diverse and relevant expertise in the development of public sector specific sustainability reporting guidance"
- "more should be done to increase transparency of the process and to ensure the primary users of this information are well represented in the development of the guidance"
- "There appears to already be a wide range of reporting frameworks for different aspects of sustainability"
- "The framework would have to address the principal differences between the public and private sectors to avoid unnecessary and irrelevant disclosures."
- "The proposed approach, of looking only at the environmental impacts of proposed expenditures, is partial with respect to environmental sustainability. It illustrates the problem of starting with existing or emerging accounting frameworks that are focused on the financial position of a reporting entity and trying to bolt on environmental considerations. Governments' interaction with the environment is far more multi-faceted than that."
- "We feel that more time should be taken to fully understand the public sector context and user needs when developing global public sector-specific sustainability reporting guidance to support the reporting of general purpose information."

We believe the IPSASB taking a more considered, measured approach to the issues we have raised will achieve a better outcome for this important work.

The attachment to this letter sets out NZ Treasury's response to the specific matters for comment.

If you have any queries regarding Treasury's comments, please contact Ken Warren or Jayne Winfield by email to ken.warren@treasury.govt.nz or jayne.winfield@treasury.govt.nz

Yours sincerely

Jayne Winfield

Jayne Winfield
Chief Government Accountant

SRS Exposure Draft 1 CLIMATE RELATED DISCLOSURES

> **Specific Matter for Comment 1: Public sector operations and regulatory role**
>
> 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.
>
> Do you agree the proposed approach meets the information needs of primary users? 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.

No.

We do not consider there is a sufficient evidence base to assert the proposed approach will meet the needs of users.

We consider there are plausible arguments that the proposed required disclosures for both own operations and climate-related public policy programs will not meet the needs of users. We outline some of these arguments below. We accept that further enquiry may be needed to validate these arguments, or indeed the different conclusions the majority of IPSASB has reached, but until that work is undertaken it is not possible to conclude there has been due process in developing this proposed standard.

Without that due process, we agree with the Alternative View that the requirements for disclosures on climate-related public policy programs should be removed from this project. Our preference is that disclosures with respect to own operations should also be reconsidered, or at the least issued as non-mandatory recommended practice for the use of those few entities that see net benefit from such disclosures.

The proposed requirements and guidance are not relevant to sovereign investors

The Treasury understands the genesis of this work was a January 2022 World Bank paper that noted:

> *Progress has been made on corporate climate and nature reporting, but a significant information gap remains for sovereign entities, the capital-raising activities of which are not presently considered in existing climate- and nature-related disclosure frameworks. Sovereign bonds make up almost 40 percent of the US$100 trillion global bond market, and public funding and financing make up a significant proportion of global financial activity. International sustainability reporting frameworks under development, though, do not cover public sector investments, the issuance of sovereign and subsovereign bonds, the investments of public pension funds, or international development finance.*

Because of the importance of sovereign bonds, the primary user that the IPSASB should have focused on in this first stage of this topic is sovereign investors and sovereign credit rating agencies. As an entity that provides information to those users. The New Zealand Treasury's observation is that the information that IPSASB is proposing be required is well wide of the mark in terms of their needs.

The Treasury observes that in most jurisdictions, investment in sovereign securities and similar state issued financial instruments is managed through a centralised body and the ability of other public sector entities to borrow or accept investment is constrained. This practice is generally considered necessary to control public finances.

The centralised debt management authority is likely to nurture investor relationships, is likely to procure sovereign credit ratings, and may issue green bonds that comply with the Green Bond Principles established by the International Capital Markets Association. Other public sector entities are very unlikely to have such users of their financial statements. Setting requirements that are relevant to both public service financing bodies and public service delivery bodies is a significant challenge, especially as there has been no evidence of IPSASB research into these separate needs.

We think it is plausible that the information desired by the sovereign investor community relating to climate change should easily feed into the assessment frameworks they use and develop to guide investment (see below). The approach taken by the IPSASB does not appear to have engaged with this user need.

S&P Global Ratings	FitchRatings	Moody's Investors Service
Institutional Assessment	Structural features	Institutional Strength
Economic Assessment	Macroeconomic performance	Economic Strength
Monetary Assessment		
Fiscal Assessment	Public finances	Fiscal Strength
External assessment	External finances	Susceptibility to event risk

While some investors may see the public sector as an independent and separate economic unit, it is likely that most would accept the criticism this approach is open for underestimating government emissions and downplaying their responsibilities. The significant role of public sector interventions in influencing private markets and individuals via regulation and taxation must be taken into account.

Further we note the global Footprint Network has concluded that carbon intensity metrics are preferable to ownership-based carbon footprints for assessing climate risk in sovereign bonds, and that the most relevant measures for an investor wanting to assess the carbon intensity or efficiency of the sovereign are the production emissions and consumption emissions of the jurisdiction. This evidence contradicts the IPSASB view that reporting on own operations is relevant.

PCAF (the Partnership for Carbon Accounting Financials) has produced a standard enabling financial institutions to assess and disclose greenhouse gas emissions associated with financial activities. It provides detailed methodological guidance to measure and disclose GHG emissions associated with seven asset classes including sovereign debt, where it uses a jurisdictional rather than an entity approach. We understand that this sovereign debt methodology is pending GHG Protocol review and approval.

ASCOR (the Assessing Sovereign Climate-related Opportunities and Risks Project) is another investor-led initiative with the specific aim of providing a tool for climate-related assessments of sovereigns. The ASCOR framework, developed with the help of the Transition Pathway Initiative Centre, consists of a set of indicators for the "assessment of the progress made by countries in managing the low-carbon transition and the impacts of climate change".

The information needs these user groups have identified is not consistent with the proposed SRS ED 1. In our view the scope of any guidance should be information at the sovereign or jurisdictional level. The proposals should be reworked to encourage this or dropped.

The proposed requirements and guidance are not relevant to other resource providers.

For public sector entities that do not have users in the global financial markets, we consider it unlikely that accountability requirements derived from ISSB S2 are necessarily likely to be appropriate.

With respect to carbon emissions mitigation, public sector entities are likely to be accountable to their funders for emissions reduction strategies agreed at a central level. With respect to adaptation activity, this will again be determined by compliance with information requirements sought by funders.

The proposed requirements are predicated on stand-alone decisions on governance, strategy, risk management and metrics and targets by the reporting entity. However, in the public sector context, where checks and balances play a role uncommon in the private sector, many of these decisions will commonly be set outside the reporting entity.

To illustrate, carbon reduction or carbon neutrality programs are likely to be government-wide rather than developed by individual public sector entities. Those entities may have a role in measuring their scope 1 emissions, in implementing funded carbon reduction emissions and managing climate related risks to their own operations but are unlikely to have governance responsibility for the program, for making funding decisions, and for co-ordinating any offset activity.

Good information for decision making and accountability of such programs is vital. However, the entity-based own-operations information demanded in the proposed SRS would be an irrelevant distraction. There is therefore a significant danger of the cost of providing this separate information in annual reports exceeding the benefit gained, if they are not aligned with the decision-making and accountability mechanisms the public sector entity is working to.

Further due process is needed to determine requirements for relevant and reliable information when public sector checks and balances distribute governance, strategy, risk management and metrics collection across a number of entities.

It may not be appropriate to assign responsibility for the outcomes of climate-related public policy programs to public sector entities.

Paragraph 2 proposes an entity be required to disclose material information about a climate-related public policy program "where an entity has responsibility for the outcomes … that could reasonably be attributed to it".

However, as the IPSASB has itself observed in RPG 3: *Service Performance Information* "There may be a strong, direct causal link between an entity's actions and its outcomes, but this will not always be the case. Factors beyond the entity's control may intervene to either hinder or facilitate the entity's achievement of outcomes."

The proposed standard recognises in AG1.14 that climate-related public policy program may require coordination with other public sector entities and decision-makers to achieve the desired outcomes but offers no guidance about what to do if this is the case.

When a jurisdiction is operating under a capped emissions trading scheme, many possible climate-related public policies, for example the subsidy of electric vehicles or the rollout of infrastructure to service electric cars, may not have any impact on overall emissions which remain at the cap, but rather impact the comparative cost of carbon mitigation activity. For a climate-related public policy program such as an emissions trading scheme, responsibilities may be distributed between separate policy development and evaluation entities, registrars and market conduct enforcement bodies,

It is likely that most entities that manage climate-related public policy programs or aspects of them will justly conclude they do not have responsibility for the outcomes that could reasonably be attributed to those programs. Consequently, reporting of climate-related public policy programs will be incomplete and therefore inaccurate. They will not meet user needs. The NZ Treasury therefore supports the Alternative View that "climate-related public policy program disclosures, as proposed in this ED, are likely to be confusing, inconsistent and of limited value to users and Preparers" and should be removed from the scope of this standard.

The proposals are inappropriate to the regulatory role of government

BC13 states that "the … regulatory role of public sector entities is a key characteristic that requires public sector-specific disclosures." The Treasury agrees with this point. However, that issue is not addressed by requiring the proposed disclosures for public policy programs with a primary objective to achieve climate-related outcomes.

There are many components to the regulatory role of public sector entities. These include policy development, consultation on rules and standards, enactment of the rules and standards, education and guidance, enforcement and evaluation. The overall objective of these efforts (which may involve many actors) will be a regulatory system that is effective, efficient and equitable. Risk (including climate change risk) is the impact of uncertainty on that objective. As stewards of regulator systems, reports on climate risks to regulatory systems, and how those risks are being managed, could be beneficial for both decision-making and accountability purposes.

The Treasury agrees that simply reporting own operations, applying value chain methodologies is unlikely to provide such useful information. However, neither do the proposed SRS requirements. The Treasury therefore would suggest developing guidance that is relevant to the regulatory role of government would likely be more fruitful, than continuing with current proposals.

Specific Matter for Comment 2: 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.

Do you agree with the proposed approach and guidance? If not, what alternative approach would you propose and why?

No.

The GHG Protocol: Corporate Accounting and Reporting Standard applies equally to all types of organizations with operations that give rise to GHG emissions, and thus it is valuable to align with this standard when measuring greenhouse gas emissions through own operations. However, this information is not consistent for the needs of sovereign investors who are seeking information on the "sovereign" that has wide powers and responsibilities for a jurisdiction.

We are aware that some sovereign investors are adapting the GHG protocol to obtain useful information for them to understand the carbon footprints of sovereign bond issuers, based on the work identified in our response to SMC 1 as shown in the table below.

	Companies	*Sovereigns*
Scope 1	Direct emissions from sources owned or controlled by the reporting company	Direct national emissions
Scope 2	Indirect emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed	Electricity imported emissions
Scope 3	All other indirect emissions not included in Scope 2 that occur in the company's value chain (upstream emissions in the supply chain, downstream from organisations using its products or services)	Non-electricity imported emissions and exports/ emissions from the use of exported products

This developing practice entails a number of cost-benefit-risk trade-offs and challenges, that the due process of an international public sector accounting standard setter is uniquely well positioned to surface, debate and work towards obtaining a general consensus on. These include:

- The relevance and reliability balance, noting that while GHG metrics are increasingly available and of improving quality, connecting and integrating that information to methodologies that translate those climate metrics into investment decision-relevant outputs (e.g., modelling techniques to map climate risks into sovereign credit risk and sovereign bond prices) are still being developed.

- The relative importance of sovereign climate risk indices, sovereign ESG scores, progress reporting on climate commitments, green and other sustainable bonds, and climate sovereign bond indices.
- The relative importance of risk-based measures that seek to measure the exposure of sovereign debt securities to physical and transition risks vs. impact measures that seek to measure the impact of a given sovereign securities on climate.
- Bridging the divide between OECD countries where information available on public databases currently provide much of the information investors currently use, placing non-OECD nations at a comparative disadvantage.
- The most appropriate denominator chosen to normalize emissions to facilitate comparison between countries (GDP, Population, Government debt?)
- The challenge of double counting emissions when preparing estimates of financed emissions
- The comparative merits of production-based accounting as established by the GHG Protocol which reflects the carbon-intensity of an economy's output but is unable to address carbon leakage and may be seen as socially unfair, as it puts responsibility on emerging economies (versus developed economies) compared to consumption-based accounting that reflects demand-based emissions, wherever the emission is produced, but does not capture the carbon intensity of an economy's output, has less political acceptability, and difficult or complex mitigation effectiveness.
- Recognition that sovereigns are instrumental to monetary policy and reserve management and the relationship of climate and sustainability risks to those objectives.

We had anticipated that the mandate granted the IPSASB after the consultation paper would have led to consideration and discussion of these and similar issues and are disappointed to note that this is not the case.

For public sector reporting entities that do not have sovereign power for a jurisdiction, but rather provide a specified number of services and benefits, such as ministries, departments and agencies, we agree that the GHG Protocol: A Corporate Accounting and Reporting Standard (2004), is likely to be the most appropriate way of measuring their greenhouse gas emissions.

These sub-entities within a jurisdiction are unlikely to independently set climate management strategies that will impact their costs and their services, rather there is more likely to be some internal co-ordination of decision making, as for example with a government carbon neutral programme.

There will necessarily be reporting to enable this co-ordinated activity, but whether this is internal reporting that is special purpose and outside the remit of IPSASB is not debated. Furthermore, the GHG Protocol: Corporate Accounting and Reporting Standard already exists and is perfectly adequate for the purpose of such reporting. Therefore, the case for the adoption of the IPSASB's own operations approach has not been made; it is either inconsistent with developing practice, or unnecessary.

Specific Matter for Comment 3: Scope of Public Policy Programs

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?

No.

NZ Treasury agrees with the alternative view of Ms Angela Ryan.

As we commented in SMC 1, it is likely that many entities that manage climate-related public policy programs or aspects of them will justly conclude they do not have responsibility for the outcomes that could reasonably be attributed to them. Consequently. reporting of climate-related public policy programs will be incomplete and therefore inaccurate. They will not meet user needs.

We note that IPSASB already has guidance on reporting the performance of policy programs in RPG 3 *Service Performance Information*. If it is considered this guidance is not adequate for public policy programs with a primary objective to achieve climate-related outcomes, then it likely that it will not be adequate for public policy programs with other objectives. On that basis, RPG 3 should be reviewed and updated.

Further we note that the ICMA has developed a Harmonised Framework for Impact Reporting as part of the Green Bond principles. These reporting requirements, designed to enhance the integrity and transparency of environmental finance, including through recommending impact reporting are not consistent with IPSASB's proposals.

Finally, we observe that the proposed standard requires reporting on governance, strategy, risk, and metrics for own operations **and** reporting on governance, strategy, risk, and metrics for own operations climate-related public policy programs. This creates a false dichotomy, confusing to preparers and users alike.

Specific Matter for Comment 4: Public Sector-Specific Definitions

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?

No.

Based on our earlier comments, we do not think these definitions are necessary or useful.

Specific Matter for Comment 5: Strategy for Climate-related Public Policy Programs

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?

No.

Treasury recognises that the provision of transparent information on public policy programs which enables interested parties to understand the entity's strategy and decision-making, anticipated challenges to achieving intended outcomes and financial implications of public policy programs is good public policy practice. This applies to all public policy programs and not just climate-related public policy programs.

However, we remain unconvinced that there is a need for separate reporting as part of general-purpose financial reports in addition to:

- The general public policy development and evaluation reporting practices, which may include items such as regulatory impact assessments and environmental impact assessments, and where this information may be more relevantly disclosed during consultation processes.

- The information provided to green bond investors in accordance with the ICMA's Harmonised Framework for Impact Reporting

The former is likely to continue to be the prime source of information for service beneficiaries of climate and other public policy programs. The latter is likely to continue to be the prime source of information for resource providers funding environmentally sustainable investments.

If the reporting entity is a whole-of-government entity that is a party to the Paris Agreement then it will prepare Biennial Transparency Reports that provide information on national inventory reports using common reporting tables, progress towards Nationally Determined Contributions, policies and measures, climate change impacts and adaptation, levels of financial, technology development and transfer and capacity-building support, capacity-building needs and areas of improvement. These provide superior information about "an (whole-of-government) entity's strategy for climate-related public policy programs which include information that enables primary users to understand the (whole-of-government) entity's strategy and decision-making, anticipated challenges to achieving intended outcomes and financial implications of the climate-related public policy program".

The proposed new standard seems to simply add to the reporting requirements, without taking sufficient regard to either user benefit, or preparer cost.

Specific Matter for Comment 6: Metrics and Targets for Climate-related Public Policy Programs

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? If not, what alternative approach would you propose and why?

No.

For the reasons noted previously, we do not support the IPSASB approach.

There could be value in mediating the current requirements expressed in the Greenhouse Gas Protocol Policy and Action Standard (2014) and the ICMA Handbook Harmonised Framework for Impact Reporting (2022) so that one general accepted standard meets user needs and reduces preparers costs.

Specific Matter for Comment 7: Conceptual foundations

This Exposure Draft includes conceptual foundations aligned with the IPSASB Conceptual Framework including the definition of materiality and primary users of public sector general purpose financial reports.

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.

The Treasury agrees with the statements about materiality in the Exposure Draft. However, it is largely a replacement of the Conceptual Framework and does not provide significant additional useful guidance.

For example, judgements about materiality are likely to require a conclusion on the meaningfulness of information where it concerns climate-related risks or opportunities that have, or may have, a significant impact on the entity, its ability to deliver public policy and/or its financial prospects. Consideration of aggregated and cascading risks is likely to be required. The recently issued guidance b the Australian Department of Finance on materiality is more useful in this regard than the guidance contained in the proposed SRS.

The Treasury is also aware of the international debate about whether materiality should be assessed having regard to:

- The impact of climate-change on the reporting entity (single materiality). or
- That and the impact of the reporting entity on the climate (double materiality)

The Exposure Draft does not appear to directly tackle this issue, or to take that debate forward.

Specific Matter for Comment 8: General requirements

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 and (b) an entity to report its climate-related disclosures at the same time as its related financial statements.

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?

No.

In the New Zealand context this issue has been consulted on extensively as part of the development of the Financial Markets Conduct Act 2013 that regulates for climate change disclosures and the development of Climate Standard 3: General Requirements for Climate-related Disclosures.

The result that we have come to is requires climate statements to either be included in the entity's annual report, or the annual report must include the address of (or a link to) the internet site where a copy of those statements can be accessed. Beyond these requirements, the location of the climate statements is not specified. This approach

- supports entities taking an integrated approach to climate change
- provides flexibility to entities to present their climate-related disclosures in a way that is most meaningful for their primary users; and
- allows for evolution over time.

We consider this to be the best outcome.

Specific Matter for Comment 9: Transition

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?

Not applicable,

We do not believe the standard should proceed in its current form.

Specific Matter for Comment 10: Other Comments

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

Yes, refer covering letter.