European Accounting Association
Public Sector Accounting Committee (EAA PSAC)

Comments on SRS Exposure Draft 1: Climate-related Disclosures

26 February 2025

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The EAA PSAC is currently chaired by Sandra Cohen (Athens University of Economics and Business, Greece), with members Eugenio Anessi-Pessina (Università Cattolica del Sacro Cuore, Italy), Isabel Brusca (University of Zaragoza, Spain), Susana Jorge (University of Coimbra, Portugal), and Mariafrancesca Sicilia (University of Bergamo, Italy). The documents issued by the EAA PSAC reflect only the views of their signatories, not the collective perspective of the wider research community nor the opinions of the institutions affiliated with such signatories or of the European Accounting Association.

1. Overall considerations for IPSASB SRS ED 1

Firstly, we strongly support the idea of the general applicability of the SRS ED irrespective of the Generally Accepted Accounting Standards applied in the public sector entity's (consolidated) financial statements. Second, before providing our views regarding the Specific Matters for Comments, we would like to offer the following overarching comments on three aspects:

1. The need for an explicit definition of the sustainability concept. Having an explicit definition of sustainability that takes into account public sector characteristics is of utmost importance to inform the whole SRS ED.
2. The rather narrow scope of the sustainability concept in the SRS ED. This narrow scope fails to accommodate the breadth of the concept already used in public sector practice and reporting.
3. The blending of disclosures for own operations and public policy programs, both using as a blueprint the private sector's IFRS S2, which is not adequately tailored to the reality of the public sector and especially that of all levels of government.

1.1 Sustainability concept

There is a need to define the IPSASB's understanding of sustainability and the objective that the IPSASB's sustainability concept is going to follow over time. Undoubtedly, sustainability is a rather difficult concept to define.

Nowadays, most authors refer to the so called Brundtland report (World Commission on Environment and Development, 1987) where sustainable development is defined as "a development that meets the needs of the present without compromising the ability of future generations to meet their own needs". However, the notion of 'leave nobody behind', which highlights the essential requirements of the World's poor, is often dropped. Many authors follow the 3Ps-Approach (profit, people, planet), often referred to as TBL (triple bottom line); others prefer the ESG approach (Environmental, Social, Governance) or choose an orientation based on SDGs (i.e. 5Ps: People, Planet, Prosperity, Peace and Partnership for achieving the SDGs), which also explicitly address the 'leave nobody behind' focus (Manes Rossi et al., 2023).

The approaches mentioned above do not have the same meaning nor are they interchangeable. The 3Ps/TBL and ESG classifications are largely designed for the private sector, while the SDGs are most suitable for the public sector and public sector entities. In this realm, governments are progressively incorporating the SDGs into their agendas and both international organizations and professional organizations have used SDGs as a cornerstone to set up guidelines for localizing SDGs in the public sector (Manes Rossi et al., 2025).

To summarize, it is advisable that the IPSASB defines its understanding of sustainability before it starts developing sustainability reporting standards, so as to avoid diverging from or contradicting existing definitions.

1.2 Rather narrow focus

At first glance, the IPSASB, most likely inspired by the ISSB, aims to start its sustainability standard setting activities by focusing on the environment/planet dimension of sustainability, while leaving the other sustainability dimensions (e.g. the social perspective) maybe for a later time. Thus, the IPSASB does not really tackle the sustainability field in its entirety. Moreover, the SRS ED focuses on a sub-theme of sustainability's environmental dimension, namely carbon/GHG. We acknowledge that this starting point could be justified by the historical development of the (public perception of the) sustainability movement (e.g. Kyoto Protocol, Paris Agreement). Admittedly, moreover, public sector environmental disclosures are most commonly addressed through the climate change and environmental lenses (Barron et al., 2023). Therefore, the need for policy reforms to make environmental disclosures mandatory has emerged as a significant issue in both developed (Lohdia et al., 2012) and developing countries (Kassim et al., 2021). However, a recent literature review by Cappellieri et al. (2024) on environmental reporting highlights that public sector organizations have made some progress in disclosing broader information related not only to carbon emissions, but also to climate change and biodiversity.

These considerations underline that the ISSB-inspired IPSASB approach may be unable to produce a set of standards that provide a holistic sustainability picture for public sector entities and that, in some regards, the practice of public sector entities' sustainability reporting may already be some steps ahead of IPSASB.

Based on the above, we believe that the scope of the SRS ED is rather narrow. It refers to climate-related disclosures and deals with a portion of the environmental dimension of sustainability. Its focus is on GHG emissions (Scopes 1 to 3), which are important, but capture only part of the environmental dimension of ESG or the planet-related dimension of SDGs. It would be useful for the standard to include broader considerations dealing with pollution, water, biodiversity, and circular economy, to name just a few. These broader (more holistic) considerations related to climate and the environment could come from SDGs and EU Corporate Sustainability Reporting Directive (CSRD)/ European Sustainability Reporting Standards (ESRS). Measures and targets coming from these frameworks should not be additional or voluntary; they should part of the standard itself. As measuring costs related to environmental policies is complicated (Cohen, 2022), further work in this field could be informed by initiatives aiming at developing methods and metrics for a standardised way of monetized impact accounting, e.g. linking carbon emissions to social and healthcare costs.

1.3 Public sector specificities addressed

Prima facie, the structure of the SRS ED acknowledges that sustainability in the public sector differs from the private sector insofar as governments are empowered to issue regulations and laws with the objective of enhancing sustainability activities. Furthermore, the SRS ED points out the need for public sector-specific guidance, given the diversity of services and reporting contexts across levels and types of public sector entities (BC9). In particular, the SRS ED consists of **two pillars differing in scope**: the first pillar (concerning GHG gas emissions) encompasses all public sector entities; the second (concerning Public Policy Programs or 'PPPs') only governments. These different scopes are likely to create confusion. On closer inspection, this confusion is even greater because the disclosure requirements (which, as a matter of principle, have been adopted by the ISSB's work for both parts) seem to be tailored to companies rather than to governments and other public sector entities.

Therefore, we strongly recommend the preparation of two different SRS EDs with a clear scope for each. We also recommend a reassessment of the respective disclosure requirements to make them suitable to governments' real world and maybe individually tailored to different levels of government and other types of public sector entities.

In the following, we would like to briefly illustrate a list of **shortcomings** of the SRS ED with respect to the second pillar (**related to the outcomes of primarily climate-related PPPs**):

a) **lack of connectivity to the financial statements**. Only the disclosure that refers to PPPs as part of the entity's own operations has connections to the financial statements (this is clear in AG2.29- AG2.31 and BC81). An acknowledged common thread around the world in sustainability reporting standard setting is the need for connectivity between financial and non-financial information;

b) **lack of connections to** (advanced) sustainability performance and progress reports **practices**. Public sector entities prepare several reports in which they assess their performance in relation to climate (environmental) targets such as green budgets, program budgeting or SDGs reporting (Caperchione, 2024)– the SRS report would be just an additional one;

c) **lack of connections to working reality in different ministries and jurisdictions.** While the proposed examples in the SRS ED refer to different ministries that have or do not have responsibility over PPPs (see Examples 5 and 6), in reality, in several jurisdictions, these ministries belong to the same reporting entity (e.g. central government). Thus, in practice, reporting in relation to PPPs mainly focuses on the central government level (see B11 for the reporting entity). Countries have specific national policies on climate change and they monitor their impact with multiple ways and reports (as acknowledged in BC81). Based on the SRS ED, the entities should, in any case, present the output and outcome (impact) of their operations, including policy-making (that is an integral part of their own operations) in the disclosures as discussed in AG1.6 (and AG2.15). However, their impact on climate is not just related to climate-related policy programs. They impact by actions they perform and initiatives they take independently from regulatory mandates and constraints which are not climate-related policy programs specifically. The standard does not provide advice on how entities should disclose their climate-related impacts that are not related to climate-related policy programs.

Thus, we share the problematization presented in the alternative view proposed by Ms. Angela Ryan.

2. Specific Matters for Comment (SMC)

In this section we provide answers to the Specific Matters of Comments. However, our replies to the SMC are **related to the overarching comments** discussed in the first section of this comment letter.

SMC 1: Public sector operations and regulatory role (paragraphs 1-4)

Based on our overarching comments, we have some **concerns**: We believe that the standard covers only one aspect of the broad environmental dimension of sustainability and therefore provides only a partial overview of sustainability-related disclosures for public sector entities. The part of the scope relating to paragraph 3(c) does not seem to be adequately developed. Its implementation looks complex and partial and does not seem to meet the whole suite of information needs of the primary users.

SMC 2: Own Operations (Appendix A1: Application Guidance – Own Operations)

Notwithstanding our overarching comments, **we agree** with the proposed approach and guidance. Especially, with respect to the 'GHG Protocol: A Corporate Accounting and Reporting Standard', we acknowledge that this standard is internationally used both in the private and the public sectors – e.g. in the US to set the accounting and reporting standards for GHG emissions in the public sector (World Resource Institute and LMI, 2010). Thus, we agree with the rationale adopted in BC60.

Still, developing climate-related disclosure related to GHG emissions that are comparable to the private sector has benefits, but it **may not be enough** to provide evidence of achievements for a sustainable environment.

SMC 3: Scope of Public Policy Programs (Paragraph 3 and AG2.4 – AG 2.6).

Based on our overarching comments, we do **not agree**. We do not consider this approach to be suitable for public sector entities. As many public sector entities do not have regulatory and policy roles, information disclosure about PPPs with a primary objective of achieving climate-related outcomes should be addressed considering the particularities of the entities that have regulatory and policy roles. This should probably be done in a separate standard.

SMC 4: Public Sector – Specific Definitions (paragraph 7)

Most of the definitions in paragraph 7 are the same as in IFRS S2. As for the definitions that are unique to this SRS ED, i.e. PPPs and PPP outputs, we have no specific comments, but a **general concern**. With respect to climate-related PPP, we would like to highlight that, in practice, PPPs are usually multi-dimensional. Thus, a climate-related PPP may have several goals, and it may be difficult and highly subjective to identify the primary one. Based on our overarching comments, we consider that information referring to climate-related PPPs that are not part of an entity's own operations should not be part of the disclosures.

SMC 5: Strategy for Climate-related Public Policy Programs (paragraphs 12 and AG2.24 – AG2.31).

Based on our overarching comments, we **do not agree**. We do not consider it appropriate to require disclosure on climate-related PPPs apart from what is related to own operations.

SMC 6: Metrics and targets for climate-related Public Policy Programs (paragraphs 26-27 and AG2.34-AG2.44)

Based on our overarching comments, we **do not agree** with these disclosures. Public sector entities have already developed several reports in which they assess their performance in relation to climate (environmental) targets such as green budgets, Voluntary Local Reviews, Voluntary National Reviews, Environmental accounts in the national accounts setting, etc. Usually, these reports are more comprehensive than what the SRS ED seemingly envisions and they take a more holistic environmental view. Also, countries and local governments have specific policies on climate change and they monitor their impacts with multiple ways and reports (as acknowledged in BC81). How or whether the SRS ED requirements would be related to these existing reports is not addressed by the SRS ED.

SMC 7: Conceptual foundations

Based on the **definition of materiality** that is different from the financial focus in IFRS S2, public sector entities, when analysing risks and opportunities and the effects of their own operations, will likely follow an inside-out as well as an outside-in process, thus they will adopt a **double materiality** prism (Jorgensen et al., 2022). We consider double materiality to be suitable for public sector entities and we believe that the SRS ED should make explicit reference to it. Deviations from private sector logics as discussed in B.AG40 are welcome to highlight the distinctive features of public sector entities (Ruiz-Lozano et al., 2022).

SMC 8: General requirements (paragraphs B16-B46)

We **agree**.

SMC 9: Transition (paragraphs 30-33)

We **agree**.

Notwithstanding our overarching comments, we agree with the proposed transition. Especially for Scope 3 GHG emissions, a transition period of 2 years should be granted, i.e. the entity should not be required to disclose Scope 3 GHG emissions in the first and second year of applying this standard.

SMC 10: Other Comments

Thank you for the opportunity to make further suggestions on the SRS ED.

1. In paragraphs AG1.30-AG1.38, the reference to financial position, financial performance and cash flows should be supplemented with a reference to service provision.
2. The requirements of the SRS ED seem too extensive for small public sector entities.
3. Based on AG1.36 and AG1.37 (p.25) the very loose connection between Financial Statements, financial information and climate-related information is permitted. However, connectivity is one of the reasons why this information is part of the Financial Reports and losing it makes the standard less useful.
4. We welcome that materiality is defined differently from the private sector and reflects public sector specificities (B.AG28-B.AG50).
5. In B17, references to CSRD and ESRS could be added.
6. In B35, a reference to a specific paragraph in parentheses could be useful.
7. The expression “long term fiscal sustainability” may be misleading despite the fact that it is also used in RPG1 (Long-term fiscal sustainability is the ability of an entity to meet service delivery and financial commitments both now and in the future). The word “fiscal” is generally related to financial resources and less to operations/service provision. However, the expression is defined as also including the operations/service provision dimension. The expression “long term sustainability” may thus be more suitable for the purpose, especially for non-IPSAS/RPGs adopters.
8. The acronym PPP for Public Policy Program may be misleading as it is commonly used in reference to Public-Private Partnerships. We suggest that a different acronym should be used for Public Policy Programs.

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This comment letter has been prepared by the European Accounting Association – Public Sector Accounting Committee (EAA PSAC) with contributions from Francesca

Manes Rossi (Department of Economics, Management, Institutions, University of Naples Federico II, Italy) and Peter Christoph Lorson (Faculty for Economic & Social Sciences, University of Rostock, Germany).