Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

28 February 2025

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Program and Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
CANADA

Submitted to: www.ifac.org

Dear Ross,

Exposure Draft – IPSASB SRS ED 1 Climate-Related Disclosures

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

We support the International Public Sector Accounting Standards Board (IPSASB)'s leadership in this area and its intent to improve climate risk management and accountability for climate action by Governments.

New Zealand context and experience

New Zealand has significant experience with climate reporting in the public sector. New Zealand has developed and implemented the following climate-related reporting initiatives:

- Mandatory climate reporting under the External Reporting Board (XRB)'s climate standards, focused on physical and transition risks and opportunities, greenhouse gas emissions and other matters, strongly aligned with The Task Force on Climate-related Financial Disclosures (TCFD)/IFRS S2. Several public sector entities are required to report against these standards (as issuers of listed debt).
- The Carbon Neutral Government Program, focused on public sector greenhouse gas emissions, targets and plans to reduce them.
- The Adaptation Reporting Power, which applies to public sector entities, focused on physical risks and opportunities.
- Reporting under the legally binding international treaty on climate change, the Paris Agreement, particularly New Zealand's first Biennial Transparency Report.
- Various voluntary climate-related reporting, such as voluntary TCFD reporting.

This experience, and the current practice in New Zealand, has informed this submission. **Appendix 2** includes examples of relevant individual disclosures to provide context to this submission.

The critical role of global standards

From this experience, we know that domestic and international standards play a critical role in empowering and enabling leaders and staff within public sector entities to improve and/or introduce climate-related risk into risk management and strategy processes, thinking and decision making. The IPSASB should be proud of its progress and efforts to encourage and standardise the disclosure of the current and anticipated impacts of climate change on a public sector entity's ability to deliver its own core services. This will deliver valuable, decision-useful information to internal decision-makers and external users. Therefore, the IPSASB is playing a powerful global role to further embed and reinforce the expectation that prudent public sector decision-making has due regard for climate risk given its significant past and anticipated future consequences. This role should be applauded and its importance reiterated.

We think the ISPASB should prioritise their work on developing and finalising a global standard focused on the disclosure of a public sector entity's ability to deliver its own core services in the context of climate risk.

We support the intent of the disclosure content that relates to climate related public policy programmes. However, as drafted, it is problematic and requires further work, because:

- it is biased towards positive action and provides too narrow a view of the impacts of policy on the climate to users. The ED will not capture programmes that are likely to have material consequences for the climate (for example, transport, building, agriculture, energy, etc).
- it is not capturing the nuanced reality of accountability in this space as well as it needs to. The contribution of any given public sector entity to the climate challenge is determined and directed by the Government of the day, rather than being strictly in control of the entity and its operational leadership. In our view, IPSASB has not yet struck the right balance between accountability at entity level and higher levels of Government.

Outreach activities undertaken to inform this submission

To inform this submission, the XRB engaged in outreach activities. This included direct meetings with informed individuals/entities, as well as hosting a workshop with approximately 40 individuals comprising representatives from New Zealand local Government, central Government and non-Government entities, as well as Australian entities. Many of these entities have real-world experience with climate reporting. At the workshop, various different views were expressed, reflecting the different experience, perspectives and priorities. However, there was strong support for the three key points made in this submission. We understand other New Zealand organisations plan to or have submitted to the IPSASB directly as well.

Key points of feedback

1. Prioritise alignment with existing global public sector climate reporting practice which is reporting focused on an individual entity's own operations via the TCFD's four pillars structure (also in IFRS S2).

While the ED drew on the TCFD's four pillars it has developed significant further content with respect to climate-related public policy programs (and their outcomes). We believe, based on our experience in reporting in this area, that this is unhelpful for those public sector entities that are already reporting voluntarily or mandatorily against TCFD, IFRS S2 and/or related requirements globally. The ED needs to retain a four-pillar approach, focused on the entity's own operations, to ensure global interoperability.

Our insights from New Zealand reporting entities demonstrates that there is little perceived demand or need for the reporting that the IPSASB has developed with respect to climate-related public policy programs in this particular way (i.e. at entity level, alongside operational matters). We see two key problems with the inclusion of climate-related public policy programs.

First, in practice they are seen as, and reported on, separately. Bringing them together would represent a significant shift away from practice. Our understanding is that this is not just the case in New Zealand, but is consistent with current practice overseas among those leading countries with public sector climate reporting initiatives underway. Given the need for this standard to act as a global 'baseline' for the public sector, we recommend prioritising a standard that reflects current practice rather than introducing complicated, novel reporting requirements from the outset.

Second, we have significant concerns with limiting the inclusion of public policy programs only to (positive) 'climate-related' programs. Many public policy programs that are not labelled as 'climate-related' have significant (negative) impacts on climate change (such as transport, housing, energy policy, etc.). Only including climate-related public policy programs runs a significant risk that this standard is seen as enabling under-reporting, by not accounting for the interconnected nature of how non-'climate-related' public policy influences climate change outcomes.

We agree with IPSASB member Angela Ryan's suggestion to remove the additional disclosures on climate-related public policy programs and their outcomes. As an alternative option, it is straightforward to allow public sector entities to clarify that their own operations include a policy-making function, if that is the case. We also share Angela Ryan's concerns regarding Paris Agreement reporting duplication and inefficiency.

2. Prioritise the immediate release of accompanying guidance on implementing the ED (amended as per our above suggestions) for a public sector entity.

Real world experience in New Zealand indicates that the private sector standard (TCFD / IFRS S2) is broadly workable for a public sector entity, with only minor changes needed in the standard. However, in applying the standard, some areas need significant scope clarity. We consider that this is most appropriately provided through accompanying staff guidance rather than being integral to the standard. Implementation experience in New Zealand shows that the priority for public sector entities is accompanying guidance and further collaborative effort to clarify the scope of:

- scope 3 greenhouse gas emissions (i.e. between a local council and a place, between a policy agency and a delivery body, between own operations and downstream emissions associated with an entity's own, or another public sector's own, policies). We consider that this should be developed in close partnership leading global bodies such as the GHG Protocol.

- value chain, risk assessment and scenario analysis in the public sector and how to implement the ED in a way that is appropriately coordinated. For example, clarifying that climate reporting can be implemented in a way that expects larger, higher level and/or ‘lead policy agencies’ to undertake risk assessment and/or scenario analysis in a way that covers other smaller but related public sector entities. This can be done using a regulatory systems lens[1], for example. Without building in some degree of coordination in the implementation, we consider that the ED risks encouraging maladaptive action if Governments are not able to reach a shared view of the climate-related risks and opportunities it faces and its responses.

3. *Undertake more targeted user needs research to inform future developments in this area.*

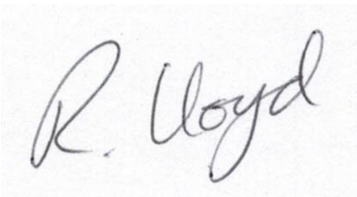
We have reviewed the initial problem statement for this standard as articulated by the World Bank[2]. New Zealand stakeholders agree with the views expressed by Angela Ryan in the AV, namely that user needs should be better understood, particularly those of sovereign bondholders. The TCFD designed the disclosure requirements with investor users in mind. This thinking needs to be done for public sector users as a matter of urgency before the further development of standards.

We are supportive of accountability on climate-related policy as a standalone objective. We suggest that it needs to be approached in a manner that is able to focus on how climate-related policy interacts with other policy areas, whole-of-Government reporting and other related frameworks[3] rather than being designed to co-exist with entity level climate risk management.

More detailed feedback

Attachment 1 includes more detailed answers to IPSASB’s consultation questions (referred to by IPSASB as ‘Specific Matters for Comment’ (SMCs)). If you have any queries or require clarification of any matters in this letter, please contact Jack Bisset (jack.bisset@xrb.govt.nz) or me.

Yours sincerely,



Becky Lloyd
Chair, Sustainability Reporting Board
External Reporting Board

[1] Regulatory systems and stewardship | Ministry of Business, Innovation & Employment
[2] https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099615001312229019/p170336065a94c04d0a6d00f3a2a6414cef
[3] See for example ASCOR, an investor-led initiative with the 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”. See also the Climate Change Performance Index and Notre Dame Global Adaptation Index.

Appendix 1: Response to IPSASB ED SMCs

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?

No.

While the two objectives outlined in (i) and (ii) are important, IPSASB is creating significant costs and inefficiencies by bringing them together in one standard. These costs and inefficiencies are not outweighed by the information provision benefits.

We take (i) as the starting point, given that is broadly the focus of IFRS S2. We focus here on (ii). In relation to (ii), we agree that effective transparency and accountability with respect to global climate action is critically important. It is central to building trust, confidence and credibility, which in turn will enable public and private sector investment in the transition.

However, many Governmental reporting requirements that relate to climate-related public policy programs already exist. Therefore, a successful international standard in this area will necessarily involve ensuring that any additional requirements are interoperable with and do not duplicate or undermine those existing requirements. Upon careful consideration, it is our view that the ED's proposed requirements with respect to climate action are not interoperable with existing global requirements and they are at risk of undermining other requirements. Further work is required to ensure that the ED is making a constructive contribution to an already crowded space.

The ED brings together transparency of climate-related policies and their outcomes, which are typically reported at a national level by one Government entity on behalf of the real economy (and organised by sectors), with the inherently entity-level framework of IFRS S2 in a way that anticipates use by all or most Government entities. We are concerned that the information disclosed through this ED, whilst important in its content, will be disclosed in a form (i.e. reported by a range of Government entities individually, in combination with other entity-specific information) that will confuse rather than help primary users' understanding of climate action (or lack thereof). This risks undermining their ability to use this information to hold Governments to account for climate action.

The focus of the Paris Agreement and the United Nations Framework Convention on Climate Change (UNFCCC) is to organise transparency and accountability at 'Party level', or, to use the equivalent term from the IPSASB literature, 'Whole-of-Government' level.[4] Article 13 of the Paris Agreement

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[4] This framework is a critical global approach to achieve greater transparency on climate action, enabling citizens, businesses and other countries to hold Governments to account. Notably, information on climate commitments, policies, actions and their progress are presented through this framework (and understood) largely from the perspective of policies and actions being taken across all sectors of a country's real economy, the country's national greenhouse gas emissions inventory and national greenhouse gas emissions reduction targets. This is, in our view, a much more appropriate way to 'organise' the information to enable primary users to use the information for accountability purposes.

established the enhanced transparency framework for action and support, which included common modalities, procedures and guidelines (MPGs) applicable to all Parties with flexibility to those developing countries that need it in the light of their capacities.[5] The Katowice climate package (Annex to decision 18/CMA.1)[6] includes eight guiding principles for the modalities, procedures and guidelines of the enhanced transparency framework under the Paris Agreement.[7] Our understanding of the most relevant aspects of the MPGs are paragraphs 80-90 and we highlight paragraph 80-83 below to illustrate some of the key differences.[8]

> *80. Each Party shall provide information on actions, policies and measures that support the implementation and achievement of its NDC under Article 4 of the Paris Agreement, focusing on those that have the most significant impact on GHG emissions or removals and those impacting key categories in the national GHG inventory. This information shall be presented in narrative and tabular format.*
>
> *81. To the extent possible, Parties shall organize the reporting of actions by sector...*
>
> *82. Each Party shall provide the following information on its actions, policies and measures, to the extent possible, in a tabular format:*
>
> *(a) Name;*
> *(b) Description;*
> *(c) Objectives;*
> *(d) Type of instrument (regulatory, economic instrument or other);*
> *(e) Status (planned, adopted or implemented);*
> *(f) Sector(s) affected…;*
> *(g) Gases affected;*
> *(h) Start year of implementation;*
> *(i) Implementing entity or entities.*
>
> *83. Each Party may also provide the following information for each action, policy and measure reported:*
>
> *(a) Costs;*
> *(b) Non-GHG mitigation benefits;*
> *(c) How the mitigation actions as identified in paragraph 80 above interact with each other, as appropriate.*

Some of the information disclosed in the ED, such as the entity's own greenhouse gas emissions and targets, is more likely to confuse users than it will help them to understand where there is insufficient or ineffective policy. The ED also draws upon the entity level pillars of governance, risk management, strategy and metrics and targets to create new disclosure requirements with respect to climate policies. It is unclear to us that this is information that primary users want and it appears to duplicate existing information that is reported under the Paris Agreement to be reported in a different way.

We are concerned that the ED is only seeking transparency on existing policies intending to have positive impacts on climate change, as opposed to transparency on new or existing policies negatively impacting on climate change. IFRS S2 more squarely captures this equivalent of 'negative impacts' for private sector entities through its greenhouse gas emissions disclosures.

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[5] Katowice Climate Package – relevance for NDCs (unfccc.int) see slide 4 for how this differed from the prior transparency arrangements under the Convention.

[6] https://unfccc.int/documents/193408

[7] Guiding Principles for MPGs | UNFCCC

[8] Report of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on the third part of its first session, held in Katowice from 2 to 15 December 2018. Addendum 2. Part two: Action taken by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement | UNFCCC
Notably, information on climate commitments, policies, actions and their progress are disclosed through this framework (and are understood) largely from the perspective of policies and actions being taken across all sectors of a country's real economy, the country's national greenhouse gas emissions inventory and national greenhouse gas emissions reduction targets. This is a more appropriate way to organise the information to enable primary users to use the information for accountability purposes.

We agree with Angela Ryan's suggested way forward. Namely, to remove the aspects of the ED related to climate-related policies and their outcomes and initiate a new, related project which prioritises a better understanding of user needs in this area. This will best ensure globally interoperable and aligned disclosure requirements on climate action.

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?

Partly.

To finalise an internationally interoperable TCFD and IFRS S2-aligned standard, we consider the necessary structural and drafting changes relating to the 'own operations' aspects of the standard, are to:

- as already completed by IPSASB in preparing the ED:
    - change the primary user definition.
    - remove the SASB standards given they were not designed for the public sector.
- those yet to be undertaken but are necessary:
    - simplify the language as it is difficult to read and understand.
    - shorten the ED as it is too long and this is a barrier to adoption.
    - remove some of the more detailed disclosure requirements, particularly regarding financial impacts and transition planning as they are overly complex for a public sector context.

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?

No.

The ED has developed a novel and overly narrow definition of climate-related policies. If the term is to be retained in the standard, an existing term already in common usage in the public sector should be used.

The definition requires climate action to be the 'primary objective' of the policy. Yet global use of the term climate-related policy appears to make a concerted effort to capture policies with mitigation and adaptation co-benefits, i.e. because climate policies may not always have climate change mitigation or adaptation as be the primary objective. For example, the OECD's Climate Action and Policy Measurement Framework (CAPMF), a type of global stocktake of climate mitigation policy, covers climate policies with an explicit intent of advancing mitigation as well as non-climate policies that have an expected positive effect on mitigation.[9]

There are well acknowledged challenges with defining adaptation. For example, many existing policies such as for water salination do not use climate adaptation language or have climate adaptation objectives, yet they have clear climate resilience implications.[10] This creates practical challenges for public sector entities to determine themselves whether any given policy meets IPSASB's definition or not. This is easily avoided.

Even the use of the term policy is relatively narrow. Climate action, as typically discussed by the Intergovernmental Panel on Climate Change (the IPCC) and others, includes but is not limited to policies. It includes broader terms like measures, responses, progress and development.[11] This suggests that transparency just on climate-related policies is too narrow and not at the right level of Government.

There has also been a recent global shift in approach to climate policy which means some of the major climate policies of jurisdictions may not meet the IPSASB's definition of a climate-related policy in the ED. Some countries are no longer emphasising climate objectives as the primary objective of their key climate policies. Some are choosing to integrate emissions mitigation and adaptation as secondary objectives of other policy areas such as industrial policy. This is being done in a bid to ensure that the policies are socially and politically justifiable. For example, the United States of America's Inflation Reduction Act 2022 emphasises inflation reduction benefits (as the name suggests) and the household cost savings that come with switching appliances and vehicles from fossil-fueled to electric equivalents[12], as opposed to climate change mitigation being the primary objective. This reflects the difficulty in defining climate-related policies.

The ED focuses on climate-related policy programs individually rather than as part of a policy mix

Our review of the academic literature on policy design,[13] empirical evidence of where climate policies have been effective,[14] together with the findings from the IPCC's Working Group III[15],

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[9] The climate actions and policies measurement framework | OECD
[10] A global assessment of policy tools to support climate adaptation (tandfonline.com)
[11] The Global Adaptation Mapping Initiative (GAMI): Part 2 – Screening protocol | Protocol Exchange (researchsquare.com) and IPCC Glossary Search
[12] In addition to other strategic shifts such as the related policies contained within the 2022 CHIPS and Science Act which also encouraged revitalising American manufacturing in clean technologies, job creation and economic growth.
[13] See Rogge et al, who note here that 'Over the past two decades policy design has increasingly investigated policy mixes rather than single instruments (Howlett, 2014a; Howlett et al., 2015; Howlett and Lejano, 2013).' The Economics of Innovation and System Transition note that '… consideration of how decarbonisation policies interact with wider policies and priorities [is] essential, and unavoidable. Also, the 'system transitions' required

suggest that accountability on climate action needs to be designed in a way that acknowledges the way an individual policy interacts with other policies as part of an economy-wide 'policy mix.'[16] This is in contrast to focusing the attention solely on 'climate policy program/s' individually and in isolation from each other. It is increasingly well understood that the interactions between climate policy and other critical policy areas such as energy, transport, agriculture and industrial policy, are the most important factors in understanding the effectiveness of climate policies at the level of individual policies.

In summary, we recommend removing the defined term 'climate-related public policy program' from the ED. If a focus on public policy programs is retained, we strongly consider that further consideration should be given to disclosures regarding policy mixes more broadly rather than individual climate-related public policies and/or policy programs in isolation.

Specific Matter for Comment 4: Public Sector-Specific Definitions (paragraph 7)

This Exposure Draft provides public sector-specific definitions and related guidance for:

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by decarbonisation are complex, involving necessary changes in technology, market structures, infrastructure, etc. It is not generally feasible for a single policy to achieve all of these things...' IPCC WGIII chapter 6 notes 'Many countries… have implemented policy mixes with a diverse set of complementary policies to achieve energy and climate policy targets. One example is the German Energiewende, which includes substantial support for renewables, an action plan for energy efficiency, and phase-out processes for nuclear- and coal-based power generation next to carbon pricing (Löschel et al. 2019). Interactions between policy measures including their scope, stringency, and timing, influence the costs of reducing emissions (Corradini et al. 2018). In particular, some policy instruments may lead to lock-in effects (Section 6.7.3), compete with other regulations (Graaf and Sovacool 2020), or trigger negative policy interactions (Perino 2015; Jarke-Neuert and Perino 2020).'

[14] See Annika Stechemesser *et al.* 'Climate policies that achieved major emission reductions: Global evidence from two decades. *Science* 385,884-892(2024).DOI:10.1126/science.adl6547 and EEIST - Ten Principles for Policy Making in the Energy Transition > EEIST. EEIST note 'In the area of climate change, most countries are at least as interested in economic development and increased opportunity as in decarbonisation, if not more so. Interests can include the development of urban or transport infrastructure, air quality and public health, job creation and industrial competitiveness, energy security and food security, and the affordability of essential goods and services. This makes consideration of how decarbonisation policies interact with wider policies and priorities essential, and unavoidable. Also, the 'system transitions' required by decarbonisation are complex, involving necessary changes in technology, market structures, infrastructure, etc. It is not generally feasible for a single policy to achieve all of these things, and when multiple policies are in place, interactions between them are inevitable.'

[15] IPCC IPCC_AR6_WGIII_FullReport.pdf Chapter 6 notes 'Many countries… have implemented policy mixes with a diverse set of complementary policies to achieve energy and climate policy targets. One example is the German Energiewende, which includes substantial support for renewables, an action plan for energy efficiency, and phase-out processes for nuclear- and coal-based power generation next to carbon pricing (Löschel et al. 2019)… Interactions between policy measures including their scope, stringency, and timing, influence the costs of reducing emissions (Corradini et al. 2018). In particular, some policy instruments may lead to lock-in effects (Section 6.7.3), compete with other regulations (Graaf and Sovacool 2020), or trigger negative policy interactions (Perino 2015; Jarke-Neuert and Perino 2020). Existing policy mixes often reflect different political economy constraints, and sometimes not well coordinated goals. The resulting policy mixes are often economically inefficient. However, comprehensive evaluation of policy mixes requires a broader set of criteria that reflect different considerations, such as broader goals (e.g., SDGs) and the feasibility of policies (high confidence).'

[16] Rogge, Karoline S. "Designing complex policy mixes: elements, processes and characteristics." (2018) …define a policy mix as the combination of several policy instruments or the combination of policy goals and means.

(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.

See response to SMC 3 above regarding the proposed climate-related public policy program definition.

The IPSASB's approach to guidance is to add explanatory paragraphs into the standard as 'application guidance'. Experience in New Zealand is that more comprehensive methodologies need to be released alongside the standard that can be picked up by reporting entities and followed. This needs to have clear process steps that entities can follow. IPSASB needs to prioritise the development and release of such guidance as a matter of urgency, in a way that builds on real world application experience. In the IPSASB context we suggest this should be accompanying guidance, which could be issued as IPSAS staff guidance. This is the approach we have taken in New Zealand.

We suggest referring to the ND Gain methodology for an indicative example as to what investors deem as important to assess country level climate risk.

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?

No.

Consistent with our responses to SMC1-5, these disclosures are largely duplicative and unnecessary.

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?

No.

Refer to responses above.

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.

While we broadly support these definitions and the use of the IPSASB Conceptual Framework, we would like to point out a tension in this area. Using existing definitions and conceptual foundations is sensible and attractive, particularly from IPSASB's perspective. However, it has implications for those countries that do not use IPSASB's broader suite of accounting standards. It means that they are less able to use the ED on its own, as it may raise broader questions around concepts at the boundaries of the ED that are core parts of other IPSASB standards. For example, long term fiscal sustainability. Therefore, global adoption of the climate standard may thus be reduced the more concepts and connections are made with existing IPSASB literature, despite the benefits of doing so.

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.

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.

Specific Matter for Comment 10: Other Comments

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

Yes.

Information that may be classified

We also heard from those public sector entities responsible for security and defence, that IPSASB should have further regard for ensuring those entities operating in that space can meet the standard whilst complying with domestic requirements to withhold information that could affect National Security or the interests of NZ citizens.[17]

Governance

As IPSASB acknowledges at AG2.20, public sector governance structures vary considerably between and across jurisdictions. They are also often very different to private sector entities. To ensure that these requirements are workable, further regard needs to be had not just for the different entities within the public service and different governance structures, but whether applying the standard is possible in the context of governance taking places across different parts (or branches) of Government altogether, i.e. in New Zealand, particularly the boundary between the Legislature and the Executive branches, and the boundary between elected officials and staff in the context of local Government. The focus in the ED appears to be on governance of public policy programs, rather than the dual but differing role of this and governance of 'own operations'.

Questions to be further investigated and resolved include:

- Is an internal senior leadership team considered a governing body for the purposes of the standard?
- How can the different accountabilities be clearly elaborated in guidance or examples to help with application of the standard, particularly the difference between being accountable for operating an effective public sector entity and being accountable for directing public policy or achieving public policy outcomes.

Service performance reporting overlap

In New Zealand we consider that this standard, if implemented, would overlap significantly with our financial reporting standard for the public sector, PBE FRS 48. Whilst we acknowledge such a standard is not common globally, this has similarities to IPSASB's RPG 3. To ensure that this standard can ultimately co-exist with other standards, again we consider that the 'outcomes' focus in this standard is best removed and approached more broadly through the likes of a global equivalent to PBE FRS 48 and/or RPG 3.

Increased focus on supporting capacity building

The IPSASB should focus more on how it can support capacity building that will be a necessary enabler of successful global adoption of the ED.

[17] How to classify information | Protective Security Requirements

Appendix 2: Examples of climate reporting in New Zealand's public sector

Carbon Neutral Government Programme (public sector entity greenhouse gas emissions) reporting

Firstly, a reminder that the way that scope 1-3 greenhouse gas emissions reporting was introduced in New Zealand was via a Carbon Neutral Government Programme (CNGP) with significant Government leadership. This included a strong role from our Ministry for the Environment and the Ministry of Business, Innovation and Employment and the Energy Efficiency and Conservation Authority in supporting the coordination and leadership of the programme, including through guidance and upskilling on measurement and target setting. CNGP participants were phased into three tranches.

- *Tranche 1 organisations include public service departments, departmental agencies and non-public service departments in the Executive Branch – instructed (via Cabinet minute) from 2021/22 to measure and report their emissions (New Zealand Cabinet, 2021).*
- *Tranche 2 organisations include Crown agents – directed from 2022/23 to measure and report their emissions (via a Whole of Government Direction) – and school boards of trustees, excluding state-integrated schools (via the Ministry of Education).*
- *Tranche 3 organisations include the Reserve Bank of New Zealand, the Offices of Parliament, the Office of the Clerk of the House of Representatives, the Parliamentary Service, tertiary institutions (including Te Pūkenga – New Zealand Institute of Skills and Technology) and state-owned enterprises – encouraged from 2022/23 to measure and report their emissions.*
- Table 1 includes timeframe expectations set around when measurement starts and then when targets were expected to be set.

It was a requirement for all the agencies involved to disclose publicly so their emissions are on their websites and in annual reports.

See for example the following disclosures:

- New Zealand Defence Force
  - Greenhouse gas emissions
  - Emissions reduction plan
- Ministry of Foreign Affairs
  - Greenhouse gas emissions
  - Emissions reduction plan

Voluntary TCFD reporting

Some organisations are in the process of undertaking the underlying analysis and/or have released standalone voluntary (TCFD style) climate-related disclosures.

- The Ministry for the Environment

- The New Zealand Transport Authority
- The Reserve Bank of New Zealand, noting their approach in this area is also heavily informed by the global network of central banks, the Network for Greening the Financial System.
- Kainga Ora

Tertiary institutions have also undertaken voluntary GHG emissions reporting and collaborative sector level scenario analysis:

- University of Otago
- Victoria University of Wellington

Mandatory IFRS S2/NZ CS reporting

Under the mandatory climate-related disclosures regime (note this is close to IFRS S2 reporting but in compliance with the XRB's closely aligned but slightly different domestic climate standards) the following public sector owned or related organisations are required to report:

- A council and Local Government Funding Agency
  - Auckland Council
  - New Zealand Local Government Funding Agency
- Ports
  - Port of Tauranga
  - South Port New Zealand
- Other Council Controlled Organisations
  - Watercare (via Auckland Council)
- Through a letter of expectations from the Minister of Finance the following Crown Financial Institutions are also required to disclose:
  - Accident Compensation Corporation
  - The New Zealand Super Fund
  - National Provident Fund
  - Government Superannuation Fund Authority

Service performance reporting relevant to climate change

An example of service performance reporting by a public sector entity working on climate policy:

- Energy Efficiency and Conservation Authority