



Le 28 FEV. 2025

Le Premier président

To

Ian Carruthers
Chair of the International Public Sector Accounting Standards Board

Réf. :

Objet : Reply to Exposure Draft SRS ED1, Climate-related Disclosures

The Court of Accounts, as France's supreme audit institution, would like to thank the IPSAS Board for offering them the opportunity to comment on "SRS Exposure Draft 1, Climate-related Disclosures" published on October 31, 2024.

It is the Court's opinion that standardization of sustainability disclosures in the public sector is becoming more and more relevant and necessary. Already in 2023, in its public report on the State's "green" budget and accounts, the Court of Accounts recommended to specify the normative conditions under which the French State would publish a non-financial performance report, as well as to gradually introduce an obligation for Government and Local organizations above certain thresholds to publish a standardized non-financial performance report.

That takes place in a context where transparency on the effect of public policies on environment is more and more requested by our fellow citizens, which has led the Court to decide the publication of an annual report on ecological transition, starting 2025.

The draft standard as released appropriately meets the most urgent requirement by giving priority to climate change-related disclosures. Other types of sustainability information are nevertheless necessary (on other environmental aspects such as biodiversity, as well as on social and governance aspects), and will have to be covered by other standards.

Generally speaking, the Court wishes to stress the need to ensure the "auditability" of the information communicated, which must be verifiable by a third party at any time in order to guarantee its sincerity.

Comments on nine specific matters were requested in the consultation. No particular reply was deemed necessary regarding specific matters n°5, 6 and 9. Detailed comments on specific matters n°1, 2, 3, 4, 7 and 8 are attached in the appendix.

Yours sincerely,

Pierre Moscovici

APPENDIX

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?

This Exposure Draft includes an Alternative View on the approach to climate-related public policy programs.

In the Court's view, it is important to define sustainability standards for public sector entities, and in particular the risks and opportunities associated with climate change. Like the IPSAS Board, it also acknowledges the need to provide additional information on the regulatory role that these entities can play, particularly in environmental matters.

However, it would be inappropriate to combine in a single standard information concerning both own operations of public-sector entities and the outcomes of climate-related public policy programs for which they are responsible.

While the requirements relating to own operations seem ready to be deployed, those relating to public policy programs require further considerations for following reasons:

- the requirements for public policy programs apply to entities responsible for the outcomes of a climate-related public policy program. Although the definition of responsibility is developed in Appendix 2 (paragraphs AG2.7 and AG2.8), it remains complex to grasp, and its practical implementation is therefore likely to be hindered. Indeed, as the IPSAS Board acknowledges in the basis for conclusions (paragraph BC45.), multiple public sector entities may be involved in the implementation of a public policy program, and as such bear a part of responsibility of its outcomes. For example, the French public entity Caisse des dépôts et consignations intervenes in various way in public policy programs: as a funder or co-funder but also as policy manager on behalf of the State or under its own responsibilities. The interdependencies such situations are creating make it complex to define one entity as responsible for the outcomes. Consequently, requiring detailed information at the level of each entity may lead to either fragmented or duplicate representations, which would hamper any subsequent consolidation of information between public entities.
- this is especially true given that Paris Agreement disclosures requirements already provide a framework for transparency, based on a national inventory report of anthropogenic emissions, as well as information necessary to track progress made in implementing and achieving its nationally determined contribution. The information relating to public policy programs therefore appears less relevant at the level of a given entity than at the level of an economic sector, a sub-national territory or the national territory as a whole. In addition, the requirements related to public policy programs should be better coordinated with other international initiatives, such as the guidance published by the OECD for “green budgeting”¹.

¹ Such as the recent OECD working papers 2024/03 on [Greenhouse gas emissions data : concepts and data availability](#) ».

- it would be difficult, for the entities that would be subject to the standard, to distinguish the requirements relating to their own operations from those relating to public policy programs. Consequently, the two types of information provided for each of these cases are likely to be misunderstood. As indicated in the basis for conclusions (paragraph BC27), there may be situations in which an entity's own operation result in outcomes that contribute to, or are attributable to, those of a climate-related public policy program for which it bears responsibility. This is the case, for instance, for local authorities that make investments related to climate change (thermal insulation of buildings, installations to secure drinking water supplies, etc.): these investments are both part of their own operations and their public policy programs. Local authorities would thus be required to produce two different sets of information, even though they would be reporting on the same matter. Alternatively, these entities may produce only one set of information, which would be detrimental to a homogeneous representation. Further clarifications are expected on this matter.
- the benefit-cost balance concerns raised by IPSAS to justify restricting the scope of public policy programs to those whose main objective is to achieve results related to climate change do not seem to be properly taken into account in the proposed solutions:
 - on the one hand, the information requested on governance, strategy and risk and outcome management appears to be too extensive and detailed in view of its intended purpose;
 - conversely, the limitation of the scope to public policy programs relating to climate change appears too restrictive. It excludes many programs which, due to their positive or negative impact on climate change, should be included in the description of the overall climate change strategy and its outcomes.

The provisions set out in the draft standard for public policy programs do not therefore appear comprehensive, and should be subject to further considerations. The scope and the requirements should be better defined and more closely coordinated with existing international obligations and initiatives in this field.

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?

With regard to the preferred method set out in the draft standard, it is indeed welcome to allow public sector entities to choose another type of method for presenting greenhouse gas emissions. In France, a greenhouse gas emissions report (BEGES) is mandatory every three

years for government departments, local authorities with over 50,000 inhabitants, Government and Local organizations and other public-sector entities with over 250 employees.

Many public-sector entities already draw up a carbon footprint according to a methodology defined by the French Agency for Ecological Transition (ADEME). Although this methodology does not strictly correspond to the GHG protocol, it does meet the goal set by the draft standard.

Besides, the Court would like to raise the attention on the use of "own operations" as a term specific to the public sector. According to the GHG Protocol, the term "own operations" refers to the entity's activities which excludes scope 3 emissions, whereas the definition in the draft standard clearly intends to capture the whole value chain including this scope. This situation could create a misunderstanding as the same term is used with different meaning. The Court recommend to determine another term for instance "operational activities".

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?

This Exposure Draft includes an Alternative View on the approach to climate-related public policy programs.

As with the specific matter for comment 1, the Court of Accounts considers that the scope of the project is too restrictive. Indeed, it excludes programs whose main objective is not to achieve results in terms of climate changes, but which make a significant contribution to it. The Court of Accounts therefore recommends that a separate standard be drawn up for public policy programs, in order to include a broader scope of public policy programs with a positive or negative impact on the climate changes.

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

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

- a) *Public policy programs;*
- b) *Public policy program outcomes; and*
- c) *Climate-related public policy programs.*

Do you agree with the proposed public sector-specific definitions and guidance? If not, what alternative definitions would you propose and why?

In the draft standard, **public policy programs** are defined as "any type or set of interventions taken or mandated by a public sector entity exercising its sovereign powers to influence the decisions or behaviors of other entities or individuals".

In the Court's view, this definition excludes interventions to protect entities or individuals, such as investments aimed at adapting to the consequences of climate change. It should be noted that this exclusion would be contradictory to the inclusion of programs that

manage water supply infrastructures in the examples given in the application guide for Appendix A2 to illustrate that definition (paragraph AG2.4.i).

Moreover, most public entities do not hold sovereign powers in their own right, but exercise competences assigned by the legislator at national level. For this reason, the mention "*exercising its sovereign powers*" is likely to introduce an undesirable restriction.

Finally, public policy programs objectives may be pursued by several public entities. The reference to a single entity therefore appears restrictive.

Owing to the above considerations, The Court of Accounts proposes to amend the definition as follows "*any type or set of interventions taken or mandated by one or several public sector entities ~~exercising its sovereign powers in order to protect other entities or individuals~~ or to influence their decisions or behaviors.*"

The draft standard defines the **public policy program outcomes** as "*impacts on the economy, the environment and/or people which occur as a result, or are reasonably attributable to, the public policy programs*".

The assumption that economic and social impacts are components of the outcomes of public policy programs would necessitate the difficult implementation of extensive reporting requirements.

This would all the more be the case given the Court's recommendation to extend the scope of public policy programs covered by the standard to all public policies with a significant impact on climate. In the Court's view, outcomes should be limited to environmental impacts. Otherwise, information on the essential purpose of the standard, i.e. the effects of public policy programs on climate change and, more broadly, on the environment, may be diluted among other information that does not meet this objective.

Finally, the definition of **climate-related public policy programs** limits the scope to those programs whose main objective is to achieve results in this area. The Court's position on this subject is expressed in specific matter for comments 1 and 3.

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?

Based on the IPSAS conceptual framework, a simple materiality or financial materiality seems to be advocated. Impact materiality, which focuses on the entity's activities impacts on environment and society, appears to be discarded, or at least not sufficiently explicitly developed. The Court of Accounts maintains that the principle of double materiality adopted by the Global Reporting Initiative (GRI) or by the ESRS developed by EFRAG and applicable in the European Union is more likely to meet primary users' expectations in terms of transparency. Besides it encourages the public entities to adopt more virtuous environmental risk management practices.

However, as far as climate changes are concerned, materiality of impact can already be considered as a requirement of the draft standard, through the greenhouse gas (GHG) emissions reporting. The information required under this heading is designed to track GHG

emissions, and therefore reflects the entity's main impact on the environment in terms of climate change.

Should standards be prepared for other environmental or social aspects, it would be preferable to refer to the principle of double materiality, in order to reach more efficiently the goal of informing primary users of general-purpose financial reports.

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?

These general requirements are welcome for information falling within the scope of own operations, since some of it is related to financial reporting. Conversely, the need to communicate in the same timeframe as financial statements is less obvious for information relating to public policy programs. Public policy program outcomes should be analyzed over a longer timeframe. Therefore, neither annual frequency nor communication at the same time as the financial statements seem necessary.

Specific Matter for Comment 10: Other Comments

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

The Court suggests some changes to paragraph AG1.3 of the Entity's own activities application guide, which gives the following examples of own operations:

- design and provision of services;
- compliance and enforcement;
- monitoring and evaluation;
- designing, implementing, monitoring and advising on public policy programs.

As these examples imperfectly reflect the main ways in which public sector entities carry out their missions, the Court suggests replacing them with:

- defining, applying and verifying the application of legal rules;
- granting subsidies to companies or households;
- producing services or goods;
- making investments;
- internal management of entities