

Mr. Ian Carruthers
Chairman
International Public Sector Accounting
Standards Board (IPSASB)

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in Deutschland e. V.

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**Re.: Proposed International Public Sector Accounting Standards Board
Sustainability Reporting Standard:
IPSASB SRS Exposure Draft 1, Climate-related Disclosures**

Dear Mr. Carruthers,

The Institut der Wirtschaftsprüfer in Deutschland (IDW) is pleased to provide you with its comments on SRS ED 1, *Climate-related Disclosures*.

Climate change is one of the most critical issues facing the world. The public sector, through its own operations, is a significant emitter of greenhouse gases. Even more importantly, the public sector has the power to set policy, influencing the behaviour of both citizens and entities across the public and private sectors. For this reason, the IDW firmly believes the public sector has a crucial role in mitigating the causes of climate change.

As already expressed in previous statements, IDW supports the IPSASB as the most suitable standard setter for developing international sustainability reporting standards for the public sector. Given the urgency of the matter, there is already high demand for guidance on how to report on climate-related matters. In this context, we commend the IPSASB for developing this draft standard within a short period of time, encompassing both own operations and public policy program elements.

In its Strategy and Work Program 2024 – 2028, the IPSASB outlined the need for drawing on existing private sector guidance in order to maximize commonality, leverage resources and ultimately deliver guidance quickly. As the conceptual developments in the private sector have achieved a significant

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maturity level, the IDW supports IPSASB's strategic decision to leverage existing private sector guidance and standards as far as possible for climate reporting on own operations. Given the resource constraints that specifically many public sector entities face, this approach enables knowledge and experience gained in the private sector to be efficiently and effectively leveraged for application in the public sector.

Given that IPSAS standards are not mandatory, national governments will be able to decide on their own implementation approach and the respective effective dates. However, we recommend that the IPSASB consider whether the implementation challenge should be better addressed within the standard (e.g. by providing longer transitional periods for certain entities). Additionally, the implementation of the standard could be supported by developing additional implementation guidance or training material similar to the successful approach taken for financial reporting (e.g. IPSAS Train the Trainer material, Pathway to Accruals).

Reporting on climate-related information is not dependent on the financial reporting framework used by the entity. The future standard will be applicable for preparers using both accrual and cash-based accounting. Nevertheless, the IDW supports the decision of the IPSASB to utilize the Conceptual Framework and its key public sector concepts as a basis for addressing public sector issues, and to support connectivity with IPSAS financial reporting.

Regarding entity level sustainability reporting on its own operations, we are generally of the opinion that the reporting scope would be strengthened if the impact of an entity's operations on other stakeholders and the broader environment would also be considered. In principle, we believe that it would generate added value for stakeholders if the entity level public sector sustainability reporting is based on both financial and impact materiality (so called 'double materiality'). However, given that climate change is an urgent issue which should be addressed by the public sector as soon as possible, and considering the scarcity of public sector entities' resources mentioned above, we understand and accept the Board's decision to align with IFRS S1 and S2 as the global baseline. That said, we do encourage the Board to consider whether climate-related information addressing the inside-out perspective could be included as an optional module in order to enable entities to align with other sustainability reporting frameworks (such as European Sustainability Reporting Standards, ESRS).

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Given the dual impact of the public sector, we agree that public sector entities should disclose climate-related outcomes beyond those resulting from their own operations at least in some specific cases. Regarding public policy programs for which the reporting entity has responsibility, negative impacts on climate often result from policy programs that do not have an explicit climate focus. Therefore, we do not agree that the scope for reporting should be limited to those programs where the primary objective is climate related. In our view that could result in imbalanced reporting, with the negative outcomes of non-climate-related policy programs not being mentioned or emphasised enough.

Whilst we support leveraging private sector guidance for entity level reporting in the public sector, we would suggest that more adaptations to, and descriptions of, the specificities of the public sector could be included without deviating far from the obligations for private sector entities. An example would be public sector specific guidance on how the concept of the value chain translates to a public sector context.

We hope you will find our comments useful. Please do not hesitate to contact us if you have any questions.

Our detailed comments to the Specific Matters for Comment are included in the appendix to this letter.

Sincerely,

Daniel P. Siegel
Executive Director

Viola Eulner
Technical Principal Public Sector

Appendix: Questions for Respondents and Perspectives Requested

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?

1. IDW broadly agrees with the proposed approach.
2. Given the impact of the public sector resulting from its own operations, we are of the opinion that public sector entities should in general fulfil the same reporting requirements as private sector entities. For that reason, in our view the scope of reporting could be strengthened by not only focusing on the climate-related risks to which an entity is exposed and the climate-related opportunities available to an entity (outside-in perspective), but by also including the impact of an entity's own operations on the environment (inside-out perspective). However, for the reasons outlined in paragraph 6 below, we accept IPSASB's decision to align with IFRS S1 and S2.
3. With its power to set policy programs, the public sector has a huge influence on the behaviour of citizens and entities both in the public and private sectors. We therefore generally support the requirement that the public sector should disclose information on the outcomes of its public policy programs. The public sector's ability to set policies that influence behaviour is a key distinction from the private sector and an essential factor for the IPSASB to consider in public sector sustainability reporting. On the scope of the policy programs included please see SMC 3.
4. Beyond these arguments, we see the opportunity for the public sector to act as a role model. When national and supra-national governments require private sector entities to meet sustainability reporting standards, their

credibility is strengthened if the public sector adheres to the same or comparable requirements. The public sector could lead by example.

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?

5. As mentioned in our response to SMC 1, the IDW is of the opinion that entity level sustainability reporting could be strengthened by also considering the impact of its operations on other stakeholders and the broader environment. In principle, we believe that the entity level public sector sustainability reporting would generate more added value for stakeholders if it is based on both financial and impact materiality – the so called 'double materiality' (as used, for example, in the European Sustainability Reporting Standards, ESRS 1.28, or in the Global Reporting Initiative, GRI).
6. However, given that climate change is an urgent issue which should be addressed by the public sector as soon as possible, we understand the Board's decision to align with IFRS S1 and S2 as a global baseline. Many public sector entities lack resources and experience in sustainability reporting. Consequently, limiting entity level climate reporting to the impacts on the entity itself should reduce the reporting scope to a manageable extent for public sector entities. Furthermore, this approach will allow public sector entities to leverage existing ISSB training and educational materials, particularly in respect of adoption and implementation of climate-related reporting requirements.

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7. Although we support close alignment with ISSB Standards, we encourage the Board to consider whether climate-related information addressing the inside-out perspective could be included as an optional module in order to enable entities to align with other sustainability reporting frameworks (such as ESRS). In addition to that, we would welcome the inclusion of more public sector specific language and clarifications in the standard, for example explaining the concept of a value chain in the public sector context.
8. Finally, we consider that one of the objectives of the standard is to contribute to more comparable and reliable information on the scale and distribution of GHG emissions. We would therefore welcome the inclusion of language that reflects this ambition.

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?

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

9. As outlined in our response to SMC 1 (para. 3), the IDW generally supports the objective to disclose information on the outcomes of public policy programs. However, we have concerns about limiting the scope of public policy programs included in the ED to those with the primary objective to achieve climate-related outcomes. Negative impacts on climate often result from policy programs which do not have an explicit climate focus. Therefore, we do not agree that the scope for reporting should be limited to those programs where the primary objective is climate related. In our view that could result in imbalanced reporting with the negative outcomes of non-climate-related policy program not being mentioned or emphasised enough.
10. In our view, the focus should be on those public policy programs that impact GHG emissions significantly, whether positively or negatively, regardless of how they are classified or titled by government departments. We note that

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in practice climate impact assessments have to be conducted for all public policy programs, so that the information should be available.

11. We therefore agree with the concerns expressed in the Alternative View AV3. (c) in this respect. The current scope limitation would indeed exclude policies with secondary climate objectives or climate co-benefits. Furthermore, excluding non-climate related policies that negatively impact the climate from the reporting scope appears contradictory to the fundamental purpose of sustainability reporting.
12. We welcome that according to BC 17 of the ED entities are not precluded from providing the disclosures in Appendix A2: Application Guidance – Climate-Related Public Policy Programs when they determine that information related to other public policy programs is material in the context of the climate.
13. AG1.35 to AG1.38, in particular, provides useful guidance concerning the challenges in generating quantitative information. As an example, AG1.35 outlines: *“An entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.”*

**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?

14. We agree with the definition of public policy programs 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.”
15. We also agree with the definition of public policy program outcomes as “the impacts on the economy, environment and/or people, which occur as a

result of, or are reasonably attributable to, the public policy programs”. This is a definition that takes the inside-out perspective on public policy programs and includes the effect these programs can have within the corresponding jurisdiction, impacting more than the entity itself.

16. As indicated in our response to SMC 3 we do not agree with the definition of climate-related public policy programs as “public policy programs with a primary objective to achieve climate-related outcomes”. In our view climate-related public policy programs should include all public policy programs that have a material positive or negative impact on GHG emissions, regardless of how they are classified or titled by government departments. We consider that this would be consistent with the broad definition of public policy program outcomes, as discussed in the previous paragraph above.

Specific Matter for Comment 5: Strategy for Climate-related Public Policy Programs (paragraphs 10–12 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?

17. The IDW generally agrees with the proposed disclosure requirements concerning the entity’s strategy for climate-related public policy programs.
18. However, we ask the Board to reassess if this approach is consistent with the broad definition of climate-related public policy program outcomes in the draft standard, which includes “*the impacts on the economy, environment and/or people*”.
19. We note that in BC81 the IPSASB acknowledges that the financial implications of climate-related public policy programs extend beyond the entity itself, affecting the broader economy, environment and people. It is further acknowledged that such broader information about financial impact is already being disclosed by some entities. Nevertheless, the Board, for

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practical reasons, decided to only require disclosures on financial implications on the entity itself, and merely encourage that entities disclose “their consideration of various external factors when evaluating financial implications of climate-related public policy programs”. We recommend that the IPSASB consider including this encouragement into the authoritative text of the draft standard (the AG’s).

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?

20. In general terms, the IDW agrees that the requirements to disclose greenhouse gas emissions and other metrics for measuring and monitoring performance in respect of public policy programs impacting the climate meet the informational needs of primary report users.

**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?

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21. As outlined in our response to SMC 2, the IDW would generally support using 'double materiality', with impact materiality for an inside-out assessment and financial materiality for an outside-in assessment. For the reasons outlined above, we accept IPSASB's decision to align with the private sector guidance issued in IFRS S1 and S2.
22. We support the decision of the IPSASB to align the materiality definition with the one included in Chapter 3, Qualitative Characteristics (para. 3.32) of IPSASB's Conceptual Framework. We also agree with the identification of primary users and consideration of their needs contained in B.AG28 – B.AG33.

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?

23. In principle, we agree that climate-related disclosures should be included in the entity's general purpose financial report – including in the management commentary, where this forms part of the entity's general purpose financial reports.
24. We also support, in principle, that an entity should report its climate-related disclosures at the same time as its related financial statements.
25. We appreciate that in the absence of a (draft) standard on general disclosure requirements, these requirements are included in the draft standard on climate-related disclosures. However, as the IPSASB is planning to expand its suite of sustainability reporting standards, it should consider issuing a separate standard on general requirements similar to

IFRS S1, and moving these requirements from IPSASB SRS 1 to the general requirements standard.

26. However, we believe it is important to keep in mind that sustainability reporting will be a new endeavour for many public sector entities. Given resource constraints and training needs, and the need for adjusting systems to enable data sharing, it may be difficult for many public sector entities to produce reliable and verifiable climate-related information by the due date for the publication of their financial statements. Furthermore, as contributors to the value chain will face comparable challenges, the availability of information on Scope 3 greenhouse gas emissions will remain limited in the medium term. So-called trickle-down effects should be minimised.
27. These issues could be addressed by extending the transitional period (as outlined in SMC 9 below) and limiting requests for information in the value chain.
28. To avoid an overload of reporting requirements (especially as further sustainability related standards are developed) and to maintain the balance between narrative and financial reporting in general-purpose financial reports, we would recommend that once work has finished on SRS ED1 the IPSASB considers how to consolidate reporting requirements and guidelines and how interlinkages between financial and non-financial reporting can be best leveraged.

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?

29. The IDW welcomes that the IPSASB provides transitional relief for the first year of adoption, especially regarding the omission of comparative data, the permission to report its climate-related disclosures after it publishes its related financial statements and the omission of the disclosures regarding

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Scope 3 greenhouse gas emissions (IPSAS Draft SRS 1 para 30–31). We further welcome that supra-national governments or national jurisdictions may define their own implementation roadmaps, including implementation dates and transitional provisions.

30. However, given that guidance published by the IPSASB is considered best practice, and hence the need for governments to explain deviations, we recommend the IPSASB consider transitional relief that is longer than one year. Longer transitional periods are likely to encourage jurisdictions to base their reporting requirements on IPSASB's standards.
31. We also noted that the (draft) standard contains no transitional application relief based on the size of the entity.
32. Even if entity specific disclosures are limited to financial impact on the entity itself, this is not likely to provide sufficient relief to many smaller public sector entities as they often lack the capacity, expertise and systems needed to produce reliable data for targets and metrics. In the private sector, mandatory sustainability reporting is currently limited to large entities, with phase-ins of smaller entities over time.
33. Again, we recognize that jurisdictions will adopt and implement the (draft) standard in their own way and potentially adjust the scope of entities (e.g. based on their size) that are required to report.
34. We understand that it will be difficult to define 'smaller' or 'less complex' entities internationally. However, if the IPSASB were to consider this issue, it could still serve as a valuable point of reference for many jurisdictions. Differential transitional reliefs could also provide smaller/less complex public sector entities with the opportunity to benefit from a longer learning curve, testing sustainability practices and methodologies before they are required to implement them. We expect some larger public sector entities may also struggle to meet a one-year transition period so we would recommend a longer transitional period in general – or at least a phased approach.

Specific Matter for Comment 10: Other Comments

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

We have no further comments.