

February 28, 2025

Mr. Ross Smith  
Program and Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario, Canada M5V 3H2

## **Comments on IPSASB Sustainability Reporting Standards Exposure Draft 1 “Climate-related Disclosures”**

Dear Mr. Smith,

The Japanese Institute of Certified Public Accountants (hereafter “JICPA”) highly respects the International Public Sector Accounting Standards Board (hereafter “IPSASB”) for its continuous effort to serve the public interest. We are also pleased to comment on IPSASB Sustainability Reporting Standards Exposure Draft 1 “*Climate-related Disclosures*” (hereafter “SRS ED”). Our comments to SRS ED are as follows.

### **Specific Matter for Comment 1**

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?

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

Comment:

We do not agree. The alternative approach we propose and the reasoning behind it are summarized in the following three points.

First, to make this approach align with IFRS S2, we propose that separate standards be established for own operations and for public policy programs (including their outcomes) or even if adopting a single

standard, the Standard be divided into the first and second parts. We consider that this approach has the following benefits.

- (1) Establishing separate standards for the different matters for disclosure will make standards simple, increase clarity, and help the users and preparers of financial statements have a better understanding.
- (2) Having separate transitional provisions for the two (allowing individual selection) may help promote the adoption of this Standard.

Second, we propose that entities that are disclosing the outcomes of public policy programs clearly disclose the relationships between such outcomes and the Scopes of greenhouse gas emissions. The reason behind this is as follows.

Public policy program outcomes are defined 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.” Depending on what are defined and measured as the outcomes of public policy programs, Scope 1, 2 or 3, or all of them in the GHG Protocol could become subject to measurement. AG2.34 to AG2.37 and IE31 to IE49 do not clearly indicate the scope. Showing the scope should clarify relationships. We would thus suggest IPSASB examine this proposal.

Third, we propose the following based on cases in Japan as a common discussion point in the public sector.

In Japan, the national and local governments grant subsidies to companies’ decarbonization promotion businesses to encourage greenhouse gas emissions reductions.

For such subsidies, local governments grant subsidies in addition to the national government’s subsidies. In this case, the provisions of this ED do not clearly state whether the scope of the outcomes to be reported by the national government should be the entire program or if each entity should make disclosures after allocating outcomes under a reasonable basis.

Under the Paris Agreement, each nation declares CO<sub>2</sub> emissions reduction targets for the entire country. To prevent the duplication in the measurement of outcomes as a country, IPSASB should clarify the scope of outcomes to be measured by the entity developing public policy programs (state) and relevant entities providing additional subsidies (local governments), respectively.

### **Specific Matter for Comment 2**

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?

Comment:

We agree except for the following.

We note that paragraph 17 (a) (ii) added the following statement to IFRS S2, Paragraph 29 (a) (ii): “...is determined to better meet primary user information needs or...” We understand that IPSASB has added this clause to ensure flexible application given the diverse measurement and disclosure rules for greenhouse gases in each nation. We therefore believe that this point should be explicitly stated in BC of the SRS as a difference from IFRS S2.

We also suggest that IPSASB mention that the GHG Protocols are currently under revision.

### **Specific Matter for Comment 3**

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.*

Comment:

We agree except for the following.

The expression, “a primary objective,” in the statement “public policy programs with a primary objective to achieve climate-related outcomes” is abstract and may be open to a range of interpretation. We suggest that IPSASB provide additional guidance to give examples of “a primary objective.”

#### **Specific Matter for Comment 4**

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?

Comment:

We agree.

#### **Specific Matter for Comment 5**

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?

Comment:

We agree. In addition, we request that the following issue be addressed.

The details of trade-off disclosures required under AG2.24 (d) and AG2.25 (c) are unclear. We would appreciate it if IPSASB could consider creating an information website introducing good practice on trade-off disclosures.

### **Specific Matter for Comment 6**

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?

Comment:

We agree.

### **Specific Matter for Comment 7**

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?

Comment:

We agree.

### **Specific Matter for Comment 8**

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?

Comment:

We agree.

**Specific Matter for Comment 9**

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?

Comment:

We agree.

**Specific Matter for Comment 10**

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

Comment:

We agree.

Yours sincerely,

Kaneko Yasushi

Executive Board Member - Public Sector Accounting and Audit Practice

The Japanese Institute of Certified Public Accountants