



SRS EXPOSURE DRAFT 1

CLIMATE-RELATED DISCLOSURES

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Brasília, Brazil
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Dear Mr. Ross Smith,

The *Conselho Federal de Contabilidade* (CFC) of Brazil welcomes the opportunity to collaborate with the consultation on IPSASB, *IPSASB SRS Exposure Draft 1, Climate-Related Disclosures*, alongside with its regionais arms – *Conselhos Regionais de Contabilidade* (CRCs), is the Professional Accountancy Organization responsible for regulatory activities overseeing the accountancy profession throughout the country.

Our points of view and comments can be found in the Appendix of this document, which was prepared by the Permanent Committee for Public Sector Accounting Standards (CP CASP – acronym in Portuguese) linked to the Federal Accounting Council.

Should you have any questions or require clarification of any matters in this submission, please contact: tecnica@cfc.org.br.

Best regards,

A handwritten signature in black ink, appearing to read 'Ana Tercia Lopes Rodrigues', is positioned above the printed name.

Ana Tércia Lopes Rodrigues

Technical Vice-President

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CONTEXT AND GENERAL COMMENTS

The Brazilian Federation is composed by 26 states, the Federal District and 5,569 municipalities governments. These levels of governments are responsible for formulating, implementing, and evaluating public policies in cooperative and/or competitive arrangements.

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?

The Exposure Draft includes an [Alternative View](#) on the approach to climate-related public policy programs.

Answer:

CP CASP/CFC agrees, however, it is important to note that in Brazil, the governance of climate action is structured in a comprehensive way, involving planning, management and execution coordinated between different spheres of government and civil society. The National Policy on Climate Change (PNMC), instituted by Law No. 12.187/2009, establishes guidelines for mitigating greenhouse gas emissions and adapting the country to the impacts of climate change. The PNMC is implemented through specific plans and strategies, such as the National Climate Change Plan (Plano Clima) and the National Climate Change Adaptation Plan (Plano Nacional de Adaptação à Mudança do Clima - PNA).

The Climate Plan guides Brazil's climate policies until 2035 and is based on two fundamental pillars:

- **Mitigation:** Reducing greenhouse gas emissions.
- **Adaptation:** Preparing natural and human systems to cope with the impacts of climate change.

The management of climate action in Brazil follows an integrated approach that involves:

- **Interministerial Coordination:** The Ministry of the Environment and Climate Change leads the formulation and implementation of climate policies, together with other ministries and government bodies.
- **Social Participation:** Civil society, the private sector and local communities participate in decision-making processes, ensuring that policies are built on the needs and knowledge of different segments.
- **Monitoring and Evaluation:** Mechanisms are established to monitor the effectiveness of the actions implemented, allowing for adjustments and continuous improvements.

Brazilian climate governance seeks to strengthen coordination between public bodies and society, continuously improving climate risk management.

In this context, the standard proposed by the IPSASB (International Public Sector Accounting Standards Board) for Sustainability Reporting in the public sector establishes essential guidelines for measuring, disclosing and controlling information related to climate change. However, the structuring and organization of this information faces significant challenges in Brazil, such as:

1. **Fragmentation of databases:** Climate data is dispersed among various ministries and government agencies, making it difficult to achieve the standardization and integration required for consistent reporting. The IPSASB requires a robust and integrated accounting structure, which can be an obstacle given the diversity of sources and formats available.
2. **Lack of Inter-institutional Coordination:** Climate governance in Brazil involves multiple entities, such as the Ministry of the Environment, the Ministry of Finance and the Ministry of Planning. The need for coordination between these institutions to comply with the IPSASB guidelines creates bureaucratic and organizational challenges.
3. **Technical Capacity and Infrastructure:** The public sector faces difficulties in training civil servants and in adopting appropriate technologies for collecting, monitoring and auditing climate information. The requirement for detailed reports, with quantitative and qualitative measurements, requires investment in information systems and professional training.
4. **Integrating Climate Policies with Public Accounting:** The IPSASB requires that climate impacts be reflected in public sector financial reports. However, the lack of harmonization between government accounting instruments and environmental policies in Brazil makes it difficult to transpose them into the format required by international standards.
5. **Measuring Impacts and Risks:** The IPSASB proposal highlights the importance of assessing environmental impacts and climate risks on public finances. However, the relationship between climate policies and sectors such as health and the economy is still limited, making it difficult to obtain accurate data on the socio-economic effects of climate change.
6. **Legal deadlines for accountability:** In Brazil, the National, Regional and Local Treasuries, as well as the accounting offices, have legal deadlines for accountability, which makes it difficult to include cross-cutting climate information in Sustainability Reports at the same time as General Purpose Financial Reports. This has a direct impact on the feasibility of consolidating this information with the mandatory financial statements.
7. **Duties of Accounting Offices and Coordination of the Sustainability Report:** Public accounting offices in Brazil receive and process budgetary, financial and asset information, but are not responsible for evaluating the results of public policies. In this way, the coordination and preparation of the Sustainability Report would be more effective under the responsibility of the Civil House (or Chief of Staff), which has a transversal vision and can guarantee the integration of data and strategies between different government bodies.

Finally, it should be noted that implementing the IPSASB guidelines in Brazil requires overcoming structural challenges, such as integrating databases, strengthening inter-institutional cooperation and increasing the technical capacity of public managers. The cross-cutting nature of climate action with accounting and public financial management will be essential to enable robust sustainability reports in line with international best practices.

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?

Answer:

CP CASP/CFC agrees with the approach and guidelines proposed for public companies governed by private law, since in Brazil there are public companies governed by private law and those governed by public law. In this sense, the Brazilian GHG Protocol Program was created in 2008 and is responsible for adapting the GHG Protocol method to the Brazilian context and developing calculation tools for estimating greenhouse gas (GHG) emissions. The Public Registry of Emissions (RPE) is a pioneering platform in the country for the disclosure of corporate inventories of greenhouse gas (GHG) emissions from organizations participating in the Brazilian GHG Protocol Program. RPE currently has a significant base of public organizational inventories in Latin America, with more than 4,000 inventories.

Private companies generally meet the general requirements for the disclosure of financial information related to sustainability and climate, in line with IFRS.

We assume that independent public companies also present financial reports in line with IFRS, but dependent companies present financial information in line with IPSAS.

On the other hand, the challenges of implementing the standard are different for each of the dimensions. In the case of own activities, the draft standard is based on IFRS S1 and S2 and the models used by the private sector can serve as a basis for developing public sector models. However, one of the limitations is the existence of robust and reliable databases for the development and implementation of models to measure CO₂ emissions from own activities in scopes 1, 2 and 3, as well as the identification of the public entity's value chain, which can be quite different from the private sector. Information on the financial effects is also a challenge, as the implementation of standards based on the accrual basis is underway and to different degrees at each level of government, therefore imposing limitations on local standardization based on the accrual basis and potentially leading to an emphasis on the budgetary basis (cash basis).

The limitation of this dimension relates to the fact that metrics and targets are considered within a well-defined and robust governance, strategy and risk management structure, which is not the case for many public sector entities, especially small and medium-sized ones. Political support and restrictions on financial, technological and human resources are also potential limitations.

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.

Answer:

CP CASP/CFC agrees with the approach and the scope of public policy programs, but we have reservations regarding the inclusion of disclosures in the financial statements of public entities, considering that public accountants in Brazil receive and process budgetary, financial and asset information, but are not responsible for evaluating the results of public policies, as already highlighted in the response to the specific Subject for Comment 1.

We would also point out that implementing the IPSASB guidelines in Brazil requires overcoming structural challenges, such as integrating databases, strengthening inter-institutional cooperation and increasing the technical capacity of public managers. The cross-cutting nature of climate action with accounting and public financial management will be essential to enable robust sustainability reports in line with international best practices.

Thus, there is a natural restriction in Brazil on the sustainability report being published at the same time as the financial statements, and as a management report, it should be published later.

Furthermore, in the case of public policy programs, despite the fact that the public sector has more experience in disseminating information of this nature, one of the main limitations is delimiting the public policy programs that are within the scope of those related to climate change, since the objectives and goals of a program can relate to different themes related to sustainability and not just climate change. In addition, the intersectoral nature of the policies and the trade-offs between them can make it difficult to disseminate information that is relevant and understandable to information users. In addition, one of the limitations is obtaining information from different entities and at different levels of government so that it is possible to ascertain indicators and establish responsibility for failure to achieve targets, since the result of a program is often not achieved by the isolated action of a single public entity.

The limitation of this dimension is related to the fact that metrics and targets are considered within a well-defined and robust governance, strategy and risk management structure, which is not the case for many public sector entities, especially small and medium-sized ones. Political support and restrictions on financial, technological and human resources are also potential limitations.

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?

Answer:

CP CASP/CFC agrees with the definitions and guidelines specific to the public sector. We would point out that as the disclosures are not restricted to financial data, we believe that the task of consolidating and presenting the disclosures should be the responsibility of a cross-cutting body (Chief of Staff, Cabinet, government secretariats). In this way, the coordination and preparation of the Sustainability Report would be more effective under the responsibility of these cross-cutting bodies, which can guarantee the integration of data and strategies between different government bodies.

Furthermore, it is important to note that in Brazil, the governance of climate action is structured in a comprehensive way, involving planning, management and execution coordinated between different spheres of government and civil society. The National Policy on Climate Change (PNMC), instituted by Law No. 12.187/2009, establishes guidelines for mitigating greenhouse gas emissions and adapting the country to the impacts of climate change. The PNMC is implemented through specific plans and strategies, such as the National Climate Change Plan (Plano Clima) and the National Climate Change Adaptation Plan (Plano Nacional de Adaptação à Mudança do Clima - PNA).

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?

Answer:

CP CASP/CFC agrees with the disclosure of an entity's strategy for climate-related public policy programs. We emphasize that as the disclosures are not restricted to financial data, we believe that the task of consolidating and presenting the disclosures should be the responsibility of a cross-cutting body (Chief of Staff, government secretariats). In this way, the coordination and preparation of the Sustainability Report would be more effective under the responsibility of these cross-cutting bodies, which can guarantee the integration of data and strategies between different government bodies.

Furthermore, it is important to note that in Brazil, the governance of climate action is structured in a comprehensive way, involving planning, management and execution coordinated between different spheres of government and civil society. The National Policy on Climate Change (PNMC), instituted by Law No. 12.187/2009, establishes guidelines for mitigating greenhouse gas emissions and adapting the country to the impacts of climate change. The PNMC is implemented through specific plans and strategies, such as the National Climate Change Plan (Plano Clima) and the National Climate Change Adaptation Plan (Plano Nacional de Adaptação à Mudança do Clima - PNA).

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?

Answer:

CP CASP/CFC agrees, however, we would point out that one of the limitations is the existence of robust and reliable databases for the development and implementation of models to measure CO₂ emissions from their own activities in scopes 1, 2 and 3, as well as the identification of the public entity's value chain, which can be quite different from the private sector. Information on the financial effects is also a challenge, as the implementation of accrual-based standards is ongoing and to varying degrees at each level of government, thus imposing limitations on local accrual-based standardization and potentially leading to an emphasis on the budget regime (cash basis).

In addition, the intersectoral nature of policies and the trade-offs between them can make it difficult to disseminate information that is relevant and understandable to information users. In addition, one of the limitations is obtaining information from different entities and at different levels of government so that it is possible to determine indicators

and establish responsibility for failure to achieve targets, since the result of a program is often not achieved by the isolated action of a single public entity.

Common limitations to this dimension relate to the fact that metrics and targets are considered within a well-defined and robust governance, strategy and risk management structure, and this is not the case for many public sector entities, especially small and medium-sized ones. Political support and restrictions on financial, technological and human resources are also potential limitations.

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?

Answer:

CP CASP/CFC agrees with the application of the definition of materiality based on the conceptual framework and we understand that the application of the concept set out in the Standard meets the needs for disclosure to users.

The conceptual framework for accounting is essential for standardizing the generation of accounting information, as it establishes fundamental principles, guidelines and concepts that guide the preparation and presentation of financial statements, and is fundamental for the credibility and efficiency of the accounting system, ensuring that financial information is useful, comparable and transparent, favoring the proper functioning of markets and the economy as a whole.

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?

Answer:

CP CASP/CFC does not agree, as the implementation of IPSASB's sustainability guidelines in Brazil requires overcoming structural challenges, such as integrating databases, strengthening inter-institutional cooperation, and expanding the technical capacity of public managers. The cross-cutting nature of climate actions with accounting and public financial management will be essential to enable robust sustainability reports aligned with international best practices.

Thus, there is a natural constraint in Brazil that prevents the Sustainability Report from being published at the same time as the financial statements. As a management report, it should be published at a later stage.

Furthermore, regarding public policy programs, although the public sector has more experience in disclosing such information, one of the main challenges is defining which public policy programs fall within the scope of climate change-related initiatives. This is because the objectives and goals of a program may be linked to different sustainability themes, not just climate change. Additionally, the intersectoral approach of policies and the trade-offs between them can make it difficult to provide information that is both relevant and understandable to information users. Moreover, another limitation is obtaining information from different entities and various levels of government to measure indicators and assign responsibilities for failing to meet targets. The results of a program are often not achieved solely through the actions of a single public entity.

This limitation is also related to the fact that metrics and targets should be considered within a well-defined and robust governance, strategy, and risk management framework - something that is not the case for many public sector entities, particularly small and medium-sized ones. Political support and constraints related to financial, technological, and human resources are also potential limitations.

We understand that an entity should include its climate-related disclosures in specific management reports based on accounting, budgetary, and financial information. Thus, the entity should report its climate-related disclosures at a later stage than its financial statements.

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?

Answer:

CP CASP/CFC partially agrees with the approach of transitional provisions. We believe that it is primarily necessary to adapt the options and deadlines proposed in paragraph 31 to the peculiarities and context of each country, considering the flows, deadlines and attributions of the various areas of the Public Administration.

We suggest the adoption of an Implementation Plan for the adoption of the Sustainability Report, setting out the measures, deadlines, areas of responsibility, along the lines of the PIPCP - Plan for the Implementation of Accounting Procedures adopted in the Brazilian IPSAS convergence process.

Specific Matter for Comment 10: Other Comments

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

Answer:

Yes, CP CASP/CFC would like to reinforce that in Brazil's context, which may be the reality in other countries, the governance of climate actions is structured in a comprehensive way, involving planning, management and execution coordinated between different governmental spheres and civil society. Thus, as explained in the response to Comment 1, the National Policy on Climate Change (PNMC) guides Brazilian climate policies until 2035 and is based

on two fundamental pillars: mitigation and adaptation. The management of climate actions in Brazil follows an integrated approach, however the structuring and organization of climate information faces significant challenges in Brazil, such as the fragmentation of databases, the lack of inter-institutional coordination, technical capacity and infrastructure, the integration of climate policies with public accounting, the measurement of impacts and risks, the legal deadlines for accountability, the attributions of accountants and the coordination of sustainability reporting.

Thus, implementing the IPSASB guidelines in Brazil requires overcoming structural challenges, such as integrating databases, strengthening inter-institutional cooperation and increasing the technical capacity of public managers. The cross-cutting nature of climate action with accounting and public financial management will be essential to enable robust sustainability reports in line with international best practices.

The draft standard provides for the disclosure of information on own operations and climate-related public policy programs. The challenges of implementing the standard are different for each of these dimensions. In the case of own operations, the draft standard is based on the IFRS S1 and S2 standards and the models used by the private sector can serve as a basis for drawing up public sector models. However, one of the limitations is the existence of robust and reliable databases for the development and implementation of models to measure CO2 emissions from own activities in scopes 1, 2 and 3, as well as the identification of the public entity's value chain, which can be quite different from the private sector. Information on the financial effects is also a challenge, as the implementation of accrual-based standards is ongoing and to varying degrees at each level of government, thus imposing limitations on local accrual-based standardization and potentially leading to an emphasis on the budget regime (cash basis).

In the case of public policy programs, despite the fact that the public sector has more experience in disclosing information of this nature, one of the main limitations is delimiting the public policy programs that are within the scope of those related to climate change, since the objectives and goals of a program can relate to different themes related to sustainability and not just climate change.

In addition, the intersectoral nature of policies and the trade-offs between them can make it difficult to disseminate information that is relevant and understandable to information users. In addition, one of the limitations is obtaining information from different entities and at different levels of government so that it is possible to ascertain indicators and establish responsibility for failure to achieve targets, since the result of a program is often not achieved by the isolated action of a single public entity.

The limitations common to both dimensions relate to the fact that metrics and targets are considered within a well-defined and robust governance, strategy and risk management structure, and this is not the case for many public sector entities, especially small and medium-sized ones. Political support and restrictions on financial, technological and human resources are also potential limitations.

The standards are issued in English and the dissemination and implementation of the standards depends on translation, which requires additional time compared to countries where English is the official language. In addition, one of the limitations relates to the diversity of the political-administrative structure and the planning and budgeting process, which will require efforts to operationalize the principles in the standards for the specific context of each country. In addition, models and methodologies need to be developed to meet the requirements of the standard. A challenge that must also be considered is to consider this initiative in line with others already underway, including the full adoption of the accrual basis of accounting.