

**Meeting:** International Public Sector Accounting Standards Board

**Meeting Location:** New York, USA

**Meeting Date:** March 12–15, 2024

# Agenda Item 10

For:

Approval

Discussion

Information

## CLIMATE-RELATED DISCLOSURES

<b>Project summary</b>	The project objective is to support global action to combat climate change by providing principles for public sector climate-related disclosures that provide information for improved decision-making and accountability.	
<b>Project staff lead</b>	<ul style="list-style-type: none"> <li>• Celine Chan, Principal</li> </ul>	
<b>Climate Topic Working Group members</b>	<ul style="list-style-type: none"> <li>• Ian Carruthers, IPSASB Chair (Topic Working Group Chair)</li> <li>• Lisa French, Canadian Sustainability Standards Board</li> <li>• Max Greenwood, HM Treasury</li> <li>• Lisa Kelsey, New Zealand External Reporting Board</li> <li>• Miguel Perez Ludena, GRI</li> <li>• Alan Teixeira, International Sustainability Standards Board</li> <li>• Liang Yang, IPSASB Member</li> </ul>	
<b>Meeting objectives</b> Project management	<b>Topic</b>	<b>Agenda Item</b>
	<a href="#">Climate-related Disclosures: Exposure Draft Dashboard</a>	<a href="#">10.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">10.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">10.1.3</a>
	<a href="#">Climate-related Disclosures: Project Roadmap</a>	<a href="#">10.1.4</a>
<b>Decisions required at this meeting</b>	<a href="#">Project Management Process and Q1 2024 Developments</a>	<a href="#">10.2.1</a>
	<a href="#">Project Objective and Approach</a>	<a href="#">10.2.2</a>
	<a href="#">Public Sector Policy Activities</a>	<a href="#">10.2.3</a>
	<a href="#">Governance</a>	<a href="#">10.2.4</a>
	<a href="#">Strategy</a>	<a href="#">10.2.5</a>
	<a href="#">Impact and Risk Management</a>	<a href="#">10.2.6</a>
	<a href="#">Metrics and Transitional Provisions – Breakout Session Discussion</a>	<a href="#">10.2.7</a>

**CLIMATE-RELATED DISCLOSURES:  
 EXPOSURE DRAFT DASHBOARD**

Topic	Past Meetings	Mar 2024	June 2024	Sept 2024
Project Management	✓			
Review and Approval of ED				
<b>Climate-related Disclosures – Authoritative Text</b>				
Objective & Scope	✓			
Definitions	✓			
Conceptual Foundations	✓			
• Materiality	✓			
Governance				
Strategy				
Risk and Impacts Management				
Metrics and Targets				
General Requirements				
Application Guidance	✓			
<b>Climate-related Disclosures – Non-Authoritative Text</b>				
Basis for Conclusions				

Legend	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

## INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
December 2023	1. Reflect on the description and drafting of climate-related impacts, including clarifying application guidance related to climate-related impacts versus climate-related risks and opportunities.	1. See <a href="#">Agenda Item 10.2.3</a>
	2. Review the scope of climate-related risks and opportunities to consider funding and resources.	2. Updated definition of long-term fiscal sustainability. Drafting to be reviewed at the Q2 2024 Check-in Meeting.
	3. Provide additional guidance on considerations for public sector entities with regulatory and policy roles versus administrative roles.	3. See <a href="#">Agenda Item 10.2.3</a>
	4. Review drafting to reflect how understanding an entity's context may include considering whether plans or programs are already in place, leveraging processes that were part of those plans or programs, such as engagement of stakeholders, and how the entity contributes to those established plans or programs.	4. See <a href="#">Agenda Item 10.2.2</a>
	5. Ensure drafting of the standard is not beyond climate.	5. Removed general references to sustainability through the (draft) ED. Drafting to be reviewed at the Q2 2024 Check-in Meeting.
	6. Consider additional guidance to specifically address the public sector role and objectives for decision making and accountability as it relates to materiality.	6. Application guidance on materiality updated to clarify guidance on qualitative judgments and the assessment based on a users' accountability and decision-making needs. Drafting to be reviewed at the Q2 2024 Check-in Meeting.
	7. Consider feedback from breakout sessions in the development of the draft Climate-related Disclosures standard.	8. See <a href="#">Agenda Item 10.2.4 – 10.2.6</a>
September 2023	1. Revise the definition of operational model and review the proposed definition for value chain.	9. Definitions of operational model and value chain updated in draft Standard. See <a href="#">Agenda item 6.3.1 in December 2023 Agenda papers.</a>
June 2023	1. Publish the final approved Climate-related project brief along with the press release approved by the Board.	1. Project brief and press release issued on June 14, 2023.

	<ol style="list-style-type: none"> <li>2. Establish a Climate-related Topic Working Group to provide climate-related expertise and advice to support delivery of the project.</li> </ol>	<ol style="list-style-type: none"> <li>2. Climate topic working group established and will begin meeting October 2023.</li> </ol>
	<ol style="list-style-type: none"> <li>3. Establish a Sustainability Reference Group to provide advice on overall sustainability reporting standards development.</li> </ol>	<ol style="list-style-type: none"> <li>3. Sustainability Reference Group established and will have its first meeting October 2023.</li> </ol>
March 2023	<ol style="list-style-type: none"> <li>1. Develop a project brief for Climate-related disclosures project, drawing upon concepts and guidance from the Consultation Paper Advancing Public Sector Sustainability reporting guidance and feedback received from constituents, IPSASB Conceptual Framework, the IFRS Sustainability Standards and GRI Standards while giving careful consideration of public sector specific needs.</li> </ol>	<ol style="list-style-type: none"> <li>1. Project brief developed and was presented to the Board in June 2023.</li> </ol>
	<ol style="list-style-type: none"> <li>2. Update the sustainability slide deck and circulate to members between meetings, to reflect the scoping framework decided in March 2023.</li> </ol>	<ol style="list-style-type: none"> <li>2. Sustainability slide deck updated and circulated to members on March 27, 2023.</li> </ol>
March 2022	<ol style="list-style-type: none"> <li>1. All instructions provided up until March 2022 were reflected in the <a href="#">Consultation Paper on Advancing Public Sector Sustainability Reporting</a></li> </ol>	<ol style="list-style-type: none"> <li>1. All instructions provided up until March 2022 were reflected in the <a href="#">Consultation Paper on Advancing Public Sector Sustainability Reporting</a></li> </ol>

**DECISIONS UP TO PREVIOUS MEETING**

<b>Meeting</b>	<b>Decision</b>	<b>BC Reference</b>
December 2023	1. Subject to the instructions above, the objective of public sector Climate-related Disclosures is to provide principles for disclosures of information on climate-related impacts, risks and opportunities to support decision making and accountability of entity's contribution to combat climate change.	To be drafted
	2. Subject to the instructions above, the guidance for identifying information for disclosures, including (i) understanding the entity's context, (ii) identifying climate-related impacts, risks and opportunities and (iii) determining material information, is appropriate.	To be drafted
	3. The definition of materiality as per the IPSASB Conceptual Framework should be used for climate-related disclosures.	To be drafted
September 2023	1. The Board decided that Climate-related Disclosures should be developed based on the process including: <ul style="list-style-type: none"> <li>• building off of IFRS S2 and GRI climate-related topic standards,</li> <li>• leveraging sustainability expertise through the IPSASB's education sessions, and</li> <li>• drawing on the discussions in the IPSASB Sustainability Reference Group and the Climate Topic Working Group.</li> </ul>	N/A
	2. The Board decided that the terms and definitions recommended for operational model, GPFRs, primary users of GPFRs, and reporting entity, were appropriate subject to refinement to reflect its instructions.	N/A
June 2023	1. The Board decided unanimously to move forward with the development of guidance on Climate-related Disclosures.	N/A
	2. The Board decided that sustainability reporting pronouncements should be issued as authoritative standards that should be separate from the current suite of IPSAS.	N/A
	3. The Board approved the Climate-related disclosures project brief by a vote.	N/A

<p>March 2023</p>	<p>1. The Board decided to move forward with scoping the potential initial sustainability reporting projects using a framework based on:</p> <ul style="list-style-type: none"> <li>• <a href="#">Consultation Paper on Advancing Public Sector Sustainability Reporting Guidance</a> and feedback received from constituents;</li> <li>• IPSASB Conceptual Framework as it relates to objectives, users and information needs;</li> <li>• IFRS Sustainability Standards; and</li> <li>• GRI Standards.</li> </ul>	<p>N/A</p>
<p>December 2022</p>	<p>1. The Board decided to commence scoping and research work on potential public sector sustainability reporting projects pending securing the resources needed to begin guidance development.</p>	<p>N/A</p>
<p>March 2022</p>	<p>1. All instructions provided up until March 2022 were reflected in the <a href="#">Consultation Paper on Advancing Public Sector Sustainability Reporting</a></p>	<p>N/A</p>

**SUSTAINABILITY REPORTING  
 PROJECT ROADMAP**

<b>Meeting</b>	<b>Completed Actions or Discussions / Planned Actions or Discussions:</b>
March 2022	1. Approve Consultation Paper
May 2022 – September 2022	1. Document Out for Comment
October 2022	1. Preliminarily Review of Responses
December 2022	1. Review of Responses to Consultation Paper 2. Discussion of Issues
June 2023	1. Approval of Climate-related disclosures Project Brief
September 2023	1. Review project plan and roadmap
December 2023	1. Review [draft] ED sections: Objective, Scope and Conceptual Foundations 2. Page flip
March 2024	1. Review [draft] ED: Governance, Strategy, Impacts and Risk Management 2. Page flip
June 2024	1. Review [draft] ED: Metrics and Targets, General requirements and Transition 2. Page flip
H2 2024	1. Approval of ED

## **Project Management Process and Q1 2024 Developments**

### **Purpose**

1. This paper provides an overview of the activities and discussions relating to the IPSASB Sustainability Reporting Standards™ (IPSASB SRS™) ED Climate-related Disclosures Standard since the Board's December 2023 meeting. This paper is provided for information purposes.

### **Background**

2. At the December 2023 Board meeting:
  - a) The Board discussed and agreed upon the key principles, subject to instructions, relating to the Project Objective, Scope and Conceptual Foundations;
  - b) The Board reviewed the first draft of the IPSASB SRS ED X, *Climate-related Disclosures* including the draft sections on Objective, Scope and Conceptual Foundations; and
  - c) IPSASB members, technical advisers and observers participated in breakout group discussions and provided input on Governance, Strategy and Risk Management to inform development of these areas of the draft ED.

### **Q1 2024 Activities**

3. Since the December 2023 Board meeting, staff reflected on Board and breakout group instructions and input to inform development of proposals which were presented and discussed with:
  - a) The Sustainability Reference Group (SRG) members on January 31, 2024; and
  - b) The Climate Topic Working Group (CTWG) members on February 13, 2024
4. These included discussions on the following issues:
  - a) Refining the definition of climate-related impacts to be climate specific and reflect on scope and application for public sector – see [Agenda Item 10.2.2](#);
  - b) How to approach and adapt private sector guidance for the public sector specific policy setting and regulatory role as it relates to climate change – see [Agenda Item 10.2.3](#);
  - c) Public sector specific adaptations needed on:
    - (i) Governance – see [Agenda Item 10.2.4](#)
    - (ii) Strategy – see [Agenda Item 10.2.5](#); and
    - (iii) Impact and Risk Management – see [Agenda Item 10.2.6](#).
5. Input from the December 2023 Board meeting discussions and breakout groups as well as advice from the SRG and feedback and recommendations from the CTWG shaped the proposals outlined in the Agenda papers noted above and the drafting of new sections of the developing ED
6. In response to feedback and questions raised in these meetings, staff also considered the application of Theory of Change to the project to help clarify the objectives of the future Standard and provide direction and approach to the principles and requirements of the draft ED. See [Agenda Item 10.2.2](#) for further discussion.

7. In preparation for Q2 2024 activities, staff also hosted a hybrid workshop on public sector climate-related metrics at the IFAC Offices in New York City on February 20, 2024 with representatives from the United Nations Development Programme (UNDP), International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI). This included:
  - a) Bilateral discussions with UNDP, ISSB and GRI between February 1-15, 2024 to prepare for the metrics workshop;
  - b) Whiteboarding and mapping SDG 13 targets, Paris Agreement articles, IFRS S2 metrics and GRI Climate Change exposure draft and other GRI principles and requirements to:
    - (i) Identify where private sector metrics are appropriate and in line with public sector objectives;
    - (ii) Identify where additional public sector specific guidance and approaches are necessary; and
  - c) During the metrics workshop with UNDP, ISSB and GRI, the group discussed many issues, including:
    - (i) Staff's initial thinking on the application of the Theory of Change approach to the project;
    - (ii) UNDP's presentation on the Enhanced Transparency Framework, and existing and developing climate data compilation practices, of the Paris Agreement; and
    - (iii) The potential alignment of and/or consistency between private and public sector metrics and objectives.
8. The issues for discussion at the March 2024 meeting will have pervasive impacts on the draft ED. Therefore, staff propose a section-by-section review of the draft ED at the Q2 2024 check-in meeting that will reflect IPSASB decisions on the March 2024 Agenda papers.

## Project Objective and Approach

### Question

1. Does the Board agree with the Staff's proposed approach to applying the Theory of Change (ToC)<sup>1</sup> relating to the IPSASB SRS ED X, *Climate-related Disclosures Standard*?

### Recommendations

2. Staff recommend the long-term objective, stated in (a) below, should be used to guide the thinking and drafting of the Standard, as described in (b) below:
  - a) Long term objective: To increase public awareness and promote consistency of climate-related disclosures in the public sector, so enabling better transparency, accountability and decision-making, thereby supporting the achievement of the Paris Agreement goal to limit the global temperature increase to 1.5°C above pre-industrial levels.
  - b) The ToC thinking impacts on the drafting in the Standard as follows:
    - (i) Objective: Updates the previously drafted aim to remove it from the Objective section and include it together with the ToC thinking in the Basis of Conclusions to provide a comprehensive understanding of the long-term objective of the Standard; and
    - (ii) Understanding the entity's context: As part of the first step of identifying material information (e.g., understanding its own context), provide application guidance for an entity to understand the latest international commitments, including national plans and targets, and its role in contributing to these; and
    - (iii) Governance, Strategy, and Impacts and Risk Management: Incorporate the entity's role in contributing to the latest international commitments, including national plans and targets, as part of governance, strategy, impacts and risk management. See [Agenda Items 10.2.4 - 10.2.6](#) for specific drafting proposals.

### Background

3. During the December 2023 Board meeting, the IPSASB agreed on the objective of the draft Standard, noting that many countries have declared climate crises or emergencies, have signed or ratified the Paris Agreement, and have developed national transition and adaptation plans (as required by the Paris Agreement). Therefore, one of the key objectives of climate-related reporting by public sector entities is to provide information that supports decision making, and actions related to delivery on international commitments.
4. Staff discussed this overarching objective with the SRG and CTWG as noted in [Agenda Item 10.2.1](#) and received support for, and advice relating to, the development of this objective.
5. To ensure clarity and confirm agreement with the Board on the objective for the SRS ED, staff applied a Theory of Change (ToC) approach to articulating the expected inputs, outputs and outcomes of the Climate-related Disclosures Project.

---

<sup>1</sup> For further background on the Theory of Change, members may refer to some online resources such as [this summary from World Bank](#)

6. The following paper outlines the ToC, the proposed long-term objective and the follow-on implications for the principles and requirements of the draft ED.

**Analysis**

7. Based on December 2023 Board discussions, staff propose that the IPSASB SRS X, Climate-related disclosure project will support the long-term objective of increasing public awareness and promoting consistency of climate-related disclosures in the public sector so enabling better transparency, accountability and decision-making, thereby supporting the achievement of the Paris Agreement goal to limit the global temperature increase to 1.5°C above pre-industrial levels.

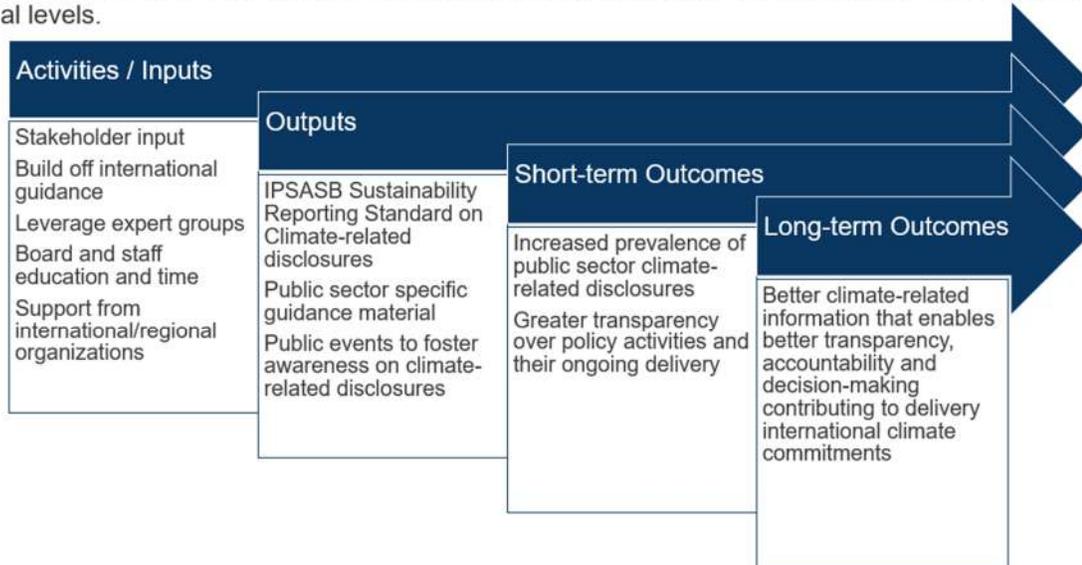
*Theory of Change*

8. The underlying basic assumptions to the ToC, consistent with the project brief, include:
  - a) The public sector's activities are a key part of the economy in every jurisdiction (over 40% of GDP for OECD countries) and so it is critical that the sector plays a proportionate part in delivering on the Paris Agreement goals, including the related Nationally Determined Contributions (NDCs) for the jurisdiction;
  - b) The public sector has policy setting and regulatory responsibilities that enable it to influence the behavior of the other sectors of the economy towards playing their respective shares of the NDCs for the jurisdiction;
  - c) Availability of entity and program-level information will improve the overall quality of jurisdiction-level information;
  - d) The framework for public sector reporting should provide the information needed to hold the public sector to account for the climate-related effects of its own operational activities, and those of its policies / regulations, as well as to provide better information for decision-making at entity and program levels;
  - e) The framework for public sector reporting should also provide information to meet investor needs as sovereign bonds are a critical component of the global bond markets (almost 40% of the US\$100 trillion global bond markets) as well as private sector reporting needs as public sector and private sector value chains overlap (for example public sector emissions may be included in private sector scope 3 reporting), and so public sector climate-related disclosures need consistency with the related international private sector guidance; and
  - f) Public sector reporting at all levels of government need to support delivery of the latest international agreements, including related NDCs and national transition and adaptation plans.
9. In order to achieve the objective in paragraph 7, the following inputs and outputs are expected from the project:
  - a) Inputs
    - (i) IPSASB Board and staff time and discussion;
    - (ii) Expert advice from the SRG and CTWG;
    - (iii) Other international climate-related standards; and
    - (iv) Support from international and regional organizations;

- b) Outputs:
- (i) An IPSASB SRS X, *Climate-related disclosure* standard,
  - (ii) Collated international public sector specific guidance and other application material; and
  - (iii) Public events to engage in discussions on public sector information needs and raise awareness on the Standard.
10. In the short term, these activities and outputs will:
- a) Increase public awareness of public sector sustainability reporting and IPSASB SRS X, Climate-related disclosure standard; and
  - b) Promote consistency of climate-related reporting for public sector entities' own operations, as well as their policy activities (where relevant).
11. In the long run, as public sector entities apply the Standard and report climate-related information, the users of reporting (service recipients and resource providers) and benefits will be extensive and are expected to include:
- a) **Service recipients.** IPSASB SRS would provide information to allow better clarity and visibility on how climate risks and impacts are addressed in policies, regulations, implementation plans for programs, and overall strategies and related budgets and spending plans. This information enables transparency and accountability on public sector activities, including assessment of the impact of policies activities, to inform decisions such as those on voting, residency and reliance on services.
  - b) **Public sector entities and civil society organizations.** IPSASB SRS would provide policy makers, national standard setters and regulators, and development practitioners access to comprehensive, globally consistent, transparent information on climate-related risks and opportunities, their policy activity impacts on markets and citizens, that is supported by financial information linked to the current and future anticipated financial position, financial performance and cash flows of governments and public sector entities. This information will support better decisions, including assessment of the effectiveness of policy activities and related programs to inform resource allocations and identification of capital needs for mitigation and adaptation initiatives.
  - c) **Capital Markets Investors.** IPSASB SRS would provide more consistent, comparable information for investors to better engage with public sector entities and inform sovereign credit investments, in relation to climate-related projects and services. Additionally, this information would be aligned where appropriate with the relevant international guidance for private sector capital market participants, which should ensure more efficient and effective capital markets to lower overall cost of capital.
  - d) **Development partners/donors.** IPSASB SRS would improve public financial management and support sustainable development, including capital allocation (reduction of cost of capital) and access as well as capacity building for jurisdictions globally.
12. To ensure consistency with the project objective and aim of the developing draft ED, IPSASB staff and the IPSASB members participating in the CTWG have been developing the thinking illustrated through the ToC:

## IPSASB SRS Climate-related Disclosures Theory of Change

Objective: To increase public awareness and promote consistency of climate-related disclosures in the public sector, so enabling better transparency, accountability and decision-making, thereby supporting the achievement of the Paris Agreement goal to limit the global temperature increase to 1.5°C above pre-industrial levels.



- Staff discussed the concepts of aligning public sector entity reporting with international commitments, including national plans with the SRG and CTWG. The SRG was supportive of this approach and objective and noted that the linkage to international commitments is an important part of the rationale for an international climate-related disclosures standard and public sector reporting on climate given the history and wide acceptance of the SDGs and Paris.

### *Follow-on drafting implications*

- The proposed long-term objective is important as it guides the approach to determining the principles and disclosure requirements of the draft Standard. Though the aim (paragraph 2 of the draft ED reviewed in December 2023) was aligned with this long-term objective, staff recommend it may be better articulated and more fully explained, including the theory of change, in the Basis of Conclusions and therefore the previously drafted paragraph would be moved into the BCs.
- As discussed in December 2023, understanding an entity’s own context is an important step to determining material information to disclose. As part of that context, an entity should understand its obligations under international commitments, and how those relate to any regional, national or subnational targets and plans that support implementation of the latest international commitments. This supports an understanding of an entity’s role and identification of its climate-related risks and opportunities, policy activity impacts (if applicable) and the determination of material disclosures.
- Based on this context, an entity should provide related disclosures on how its governance, strategy, risk management and targets may or may not contribute to these international commitments and/or national targets. See [Agenda Items 10.2.4 – 10.2.6](#) for further discussion on the proposed approach to incorporate this objective in Governance, Strategy and Impact and Risk Management.

### **Decision Required**

- Does the IPSASB agree with the [recommendation](#)?

## Public Sector Policy Activities

### Question

18. Does the Board agree with the staff recommendations on public sector specific adaptations in the IPSASB SRS ED X, Climate-related Disclosures Standard?

### Recommendations

19. Staff recommend that:
- a) Private sector guidance is appropriate to satisfy the information needs of public sector users related to an entity's own operations, and therefore the draft ED would align with private sector guidance, with appropriate public sector terminology changes, and supporting additional application guidance;
  - b) The key public sector difference that requires public sector specific guidance relates to policy activities of public sector entities.
20. Staff recommend that public sector guidance is needed for policy activities, as follows:
- a) Clarifying definitions for:
    - (i) *Policies* to refer broadly to any types of policy interventions, including but not limited to legislation, regulation, guidelines, standards, procedures, programs, grants, subsidies, expenditures, taxes and other fiscal measures, and/or public ownership;
    - (ii) *Climate-related impacts* are the direct effects an entity's policy activities have or could have on the economy, environment and people as a result of climate change policies;
  - b) Understanding an entity's own context: Requires a public sector entity to understand its own operations and any policy activities (if applicable) as part of the first step of identifying material information;
  - c) Governance, Strategy, and Impacts and Risk Management: Incorporate the entity's policy activities (when relevant) as part of governance, strategy, impacts and risk management. See [Agenda Items 10.2.4 – 10.2.6](#) for specific drafting proposals.

### Background

21. During December 2023 Board discussion of Climate-related project agenda papers and breakout discussions, a key recurring theme that emerged was the need to provide additional guidance on considerations for public sector entities with regulatory and policy roles. This emphasis on the public sector as regulator and/or policy setter was also repeated in the feedback from constituents to the 2022 Consultation Paper, *Advancing Public Sector Sustainability Reporting*.
22. As a result, a separate breakout group discussion on policy activities (regulation and/or policy setting) was held during the December 2023 meeting. Key messages from this discussion were:
- a) Policy intervention is relevant throughout all the various elements of climate-related disclosures;
  - b) Consider a principle-based framework to delineate the various roles related to policy (such as policy setters, policy implementers, policy monitors, policy linkages to budget) given the complexity and range of structures and processes in different jurisdictions.

23. Staff used the input and advice from these breakout sessions to develop proposals which were presented to the SRG, CTWG, UNDP, GRI and ISSB as discussed in [Agenda Item 10.2.1](#). Staff received strong support for this approach and constructive feedback to support clarity on the initial thinking. This paper outlines the outcomes of various staff work and discussions during Q1 2024.

## Analysis

### *Public Sector Entity's Own Operations vs. Policy Activities*

24. Informed by IPSASB input in December 2023, staff propose that the unique public sector issue that requires public sector specific principles, is that, in addition to managing their own service delivery operations, some entities have the power and ability to set policies, including through regulation and legislation, that affect the activities and behaviors of other public entities, private entities, or individuals. When reporting on an entity's own operations, staff concluded that governance, strategy setting, and the assessment of its climate-related risks and opportunities are similar to the private sector.
25. Although, public sector entities do not have a profit motive, their users (resource providers, including investors and service recipients), share the same information needs regarding the entity's long term fiscal sustainability, including efficient delivery of services and effective and efficient allocation of resources.
26. Therefore, staff propose that principles from IFRS S2 and GRI Climate Change standards align with the information needs of a public sector entity's own operation, supported by public sector terminology and application guidance.
27. However, policy activities are unique to the public sector and therefore additional guidance is needed to support comparable and consistent reporting by preparers to meet the user's climate-related information needs. Therefore, staff recommend additional public sector specific principles and application guidance are needed to address the public sector's policy activities.
28. For the purposes of this (draft) ED, we propose to refer to the various interventions taken or mandated by public sector entities (such as set legislation, regulations, programs, taxes, subsidies, incentives etc.) collectively as "policy activities".
29. SRG members were supportive of this approach and the need for public sector specific guidance for policy activities. SRG members and CTWG members provided advice to clarify the principles and simplify the drafting for practical application. Staff reflected this advice in the proposed draft ED.

### *Understanding an entity's own context*

30. Therefore, as a starting point, an entity should understand its own operations and policy activities (if applicable) as part of understanding its own context before determining material information. It is expected that most public sector entities will only have to report on their own operations, because the number of public sector entities that have a policy activity role is likely to be relatively limited.

### *Climate-related Impacts*

31. Staff revisited the definition of climate-related impacts based on IPSASB instruction from the December 2023 meeting to ensure it was climate specific. The definition of climate-related impacts previously presented in December 2023 was based on GRI's definition of impacts, however, GRI does not have a climate-specific definition of impacts and has a broader definition of users than the

IPSASB Conceptual Framework. So, staff reflected further on how impacts may be adapted for the climate-specific public sector standard.

32. Following is an analysis of GRI’s guidance on impacts and public sector relevance in the context of climate change:

	<b>GRI 1 Guidance</b>	<b>Public Sector Climate Change Relevance</b>
<b>Impacts on the Environment</b>	The organization’s impacts on the environment refer to the impacts on living organisms and non-living elements, including air, land, water and ecosystems. An organization can have an impact on the environment through, for example, its use of energy, land, water and other national resources.	Other than an entity’s own GHG emissions, direct public sector impacts on the environment will be driven by policy activities, such as regulations or grant schemes related to land use, conservation and sustainable management practices, or policies to reduce emissions, through providing incentives to use renewable energy sources or reduce vehicle emissions.
<b>Impacts on the Economy</b>	The organization’s impacts on the economy refer to the impacts on economic systems at local, national and global levels. An organization can have an impact on the economy through, for example, its competition practices, its procurements practices, and its taxes and payments to governments.	Public sector impacts on the economy are those on other economic sectors of climate-related regulation or other policy activities such as providing subsidies and incentives for climate-related programs, or other fiscal measures.
<b>Impacts on People</b>	The organization’s impacts on people refer to the impacts on individuals and groups, such as communities, vulnerable groups, or society. This includes the impacts the organization has on people’s human rights. An organization can have an impact on people through, for example, its employment practices (e.g., the wages it pays to employees), its supply chain (e.g., the working conditions of workers of suppliers), and its products and services (e.g., their safety or accessibility).	In the context of climate change, climate-related policy activities are the primary drivers of climate-related impacts on people, for example on employees of mining communities as a result of an entity’s renewable energy policies, or incentives for the use of electric vehicles.

33. Based on this analysis, staff propose that concepts and disclosure requirements for direct climate-related impacts are limited to public sector policy activities, and those entities that have such a role. This would also be aligned with the information needs of users of climate-related disclosures would be most interested in the effects that an entity’s climate-related policies have on the economy,

environment and people, and the related governance, strategy decisions (including trade-off assessments), and impact management.

34. Therefore, based on Climate-related Metrics workshop discussions, the proposed approach in paragraphs 24-30 above, and the above analysis in paragraph 32, staff propose that for:
- a) Own operations: climate-related impacts are the effects of the entity's own operations on climate change, i.e., for an entity reporting on its own operations, climate-related impacts are limited to the positive or negative effects on opportunities and risks of increasing or decreasing GHG emissions, which is aligned with the disclosure requirements of IFRS S2;
  - b) Policy activities: climate-related impacts are the direct effects an entity's policy activities have or could have on the economy, environment and people as a result of climate change policies.

**Decision Required**

35. Does the IPSASB agree with the [recommendation](#)?

## Governance

### Question

1. Does the Board agree with the staff recommended public sector adaptations, additional principles and application guidance for the governance section in (draft) IPSASB SRS ED X, Climate-related Disclosures?

### Recommendation

2. Staff recommend public sector adaptations, additional principles and application guidance for governance as outlined in [paragraph 7](#) below.

### Background

3. During the December 2023 IPSASB meeting, Board members, technical advisers and observers spent time discussing in breakout groups:
  - How are public sector governance structures and bodies similar to private sector governance structures?
  - How are public sector governance structures and bodies different from private sector governance structures? What adaptations would therefore be needed for the public sector context?
4. Members provided the following insights from the breakout sessions on the public and private sector governance similarities and differences. Key messages from this discussion were:
  - The aim of good governance is the same in the public and private sectors;
  - Some public and private sector governing arrangements are similar, in which case S2 governance paragraphs should be applicable;
  - Some public sector entities have different structures which may require different principles from private sector and require additional application guidance, e.g., central government and different levels of government, regional governments subject to higher levels of government, or others which are subject to regulations of ministries, etc.;
  - Policy setting role of governments should also be considered as part of governance e.g., senior levels of government, for example, bank regulators set policy for all banks in that country which would be important in terms of disclosures;
  - Governance should also consider oversight of the entity's overarching objectives and role in contributing to international commitments, including related national targets; and
  - Change in government may change policies and how the issue regulated may also be influenced.
5. Staff reflected on these suggestions and developed a proposal that was presented to the SRG, and the CTWG as discussed in [Agenda Item 10.2.1](#). The following paper outlines the proposed approach and concepts, reflecting the feedback received from the various groups and discussions.

### Analysis

6. At the December 2023 IPSASB meeting, it was noted that there are many potential similarities between the public and private sector, such that private sector guidance from IFRS S2 and GRI may be leveraged. However, key areas of difference would require additional principles and application guidance.

7. Based on the breakout group feedback, staff propose the following additional requirements and application guidance over and above that in IFRS S2:
- a) Require entities to provide users with information on:
    - (i) How governing arrangements provide oversight of the entity's objectives and role in contributing to international commitments, including supporting national targets and plans;
    - (ii) How governing arrangements provide oversight over policy activities, including how policy activities occur, and monitoring the implementation and effectiveness of policies (to determine their impacts);
  - b) Provide public sector preparers with application guidance to:
    - (i) Clarify how principles apply across different structures of governance arrangements, including where policy program oversight and management may be a shared or where certain levels of government may be subject to higher levels of government or ministries.

**Decision Required**

8. Does the IPSASB agree with the [recommendation](#)?

## Strategy

### Question

1. Does the Board agree with the staff recommended public sector adaptations, additional principles and application guidance for strategy in (draft) IPSASB SRS ED X, Climate-related Disclosures?

### Recommendation

2. Staff recommend public sector adaptations, additional principles and application guidance for strategy as outlined in [paragraph 7](#) below.

### Background

3. During the December 2023 IPSASB meeting, Board members, technical advisers and observers spent time discussing in breakout groups:
  - How is public sector strategy similar to private sector strategy?
  - How is public sector strategy different from private sector strategy? What adaptations would therefore be needed for the public sector context?
  - To what extent would the public sector's roles as regulator and policy setter need to be addressed? If so, how?
4. Members provided the following insights from the breakout sessions on the public and private sector strategy similarities and differences. Key messages from this discussion were:
  - Strategy should explain the entity's role and how it contributes to international commitments, including national targets, such as development of a national transition plans;
  - Public sector entities' strategy tools may be wide ranging and include internal activities as well as regulator levers;
  - Public sector risks may be different, and an entity's strategy should address this, e.g., such as its risk as insurer of last resort; and
  - Public sector entities often have existing scenario analysis processes.
5. Staff reflected on these suggestions and developed a proposal that was presented to the SRG and the CTWG as discussed in [Agenda Item 10.2.1](#). The following paper outlines the proposed approach and concepts, reflecting the feedback received from the various groups and discussions.

### Analysis

#### *Strategy*

6. In breakout group discussions at the December 2023 IPSASB meeting, it was noted that the focus and objective of a public sector entity's strategy should reflect whether and how the entity's own activities, as well as its policy activities (where relevant), contribute to international commitments, including its national targets and plans.
7. Key differences from the private sector that would require additional principles and application guidance over and above that in IFRS S2 include:
  - a) Require entities to provide information to help a user understand:

- (i) Whether and how the entity's strategies for delivery of its own operations and any relevant policy activities contribute to international commitments, including any related national targets and plans;
  - (ii) Whether and how an entity's strategy addresses public sector specific risks e.g., policy coordination and delivery risks.
  - (iii) How strategy for an entity's policy activities is set and monitored, and the extent to which this is integrated with the entity's strategy for its own operations, including how it monitors effectiveness of those policies and related resource allocation plans to support their implementation;
- b) To provide public sector preparers with application guidance to:
- (i) Support a public sector entity's assessment of its operational model and value chain;
  - (ii) Clarify requirements on strategy and current and anticipated financial effects relating to policy activities; and
  - (iii) Clarify how entities may consider the applicability of climate-related scenario analysis performed by other entities, such as higher levels of government, to inform the entities climate resilience assessment.

### Decision Required

8. Does the IPSASB agree with the [recommendation](#)?

## **Risk Management**

### **Question**

1. Does the Board agree with the staff recommended public sector adaptations, additional principles and application guidance for risk management sections in (draft) IPSASB SRS ED X, *Climate-related Disclosures*?

### **Recommendation**

2. Staff recommend public sector adaptations, additional principles and application guidance for risk management as outlined in [paragraph 6](#) below.

### **Background**

3. During the December 2023 IPSASB meeting, Board members, technical advisers and observers spent time discussing in breakout groups:
  - How may public sector risk management processes be similar to the private sector?
  - How may public sector risk management processes differ from the private sector? What adaptations would therefore be needed for the public sector context?
4. Members reconvened to share key messages and insights on the similarities and differences between public and private sector risk management. Key messages from this discussion were:
  - Risk management frameworks and methodology are the same for public and private sectors;
  - Risks faced by public sector entities are different from private sector, and similarly mitigation strategies of public sector are different from private sector;
  - Risks also include considerations of accountability and policy setting role and category of risk which relates to the government's actions to address risks to society, the jurisdiction, economy (e.g., impacts management); and
  - Consider conditions of external environment – e.g., international commitments, and link risks to delivering on these commitments, including risks relating to non-compliance to policies of other entities inaction or unmanageable risks, and related mitigation such as measuring effectiveness of policies.
5. Staff reflected on these suggestions and developed a proposal that was presented to the SRG, and the CTWG as discussed in [Agenda Item 10.2.1](#). The following paper outlines the proposed approach and concepts, reflecting the feedback received from the various groups and discussions.

### **Analysis**

6. Based on breakout group discussions at the December 2023 IPSASB meeting, participants noted that risk management frameworks and methodologies are generally the same for public and private sectors. However, the risks faced, and the mitigation strategies are significantly different. Therefore, additional public sector principles and application guidance over and above IFRS S2 would be required:
  - a) To help a user understand:

- (i) The entity's policy activities and approach to managing their impacts on people, the economy and environment;
- b) To provide preparers with application guidance to:
- (i) Clarify public sector specific risk management considerations, such as management of risks of not delivering on international commitments, including related national targets and plans, other unmanageable risks including risks of non-compliance to policies or changes in government; and
  - (ii) Provide guidance on how impact and risk management relating to policy activities may inform the risk management processes of other public sector entities and are integrated with or separate from those for its own operations.

**Decision Required**

7. Does the IPSASB agree with the [recommendation](#)?

## Metrics and Transitional Provisions— Breakout Session Discussions

### Purpose

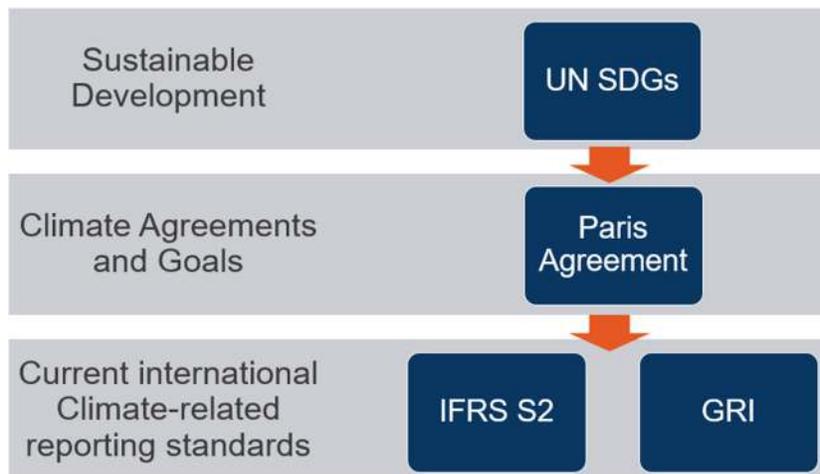
1. This paper provides background and questions for IPSASB members to consider in preparation for breakout group discussions during the March meeting.
2. The purpose of the breakout session discussion is to enable IPSASB members to provide preliminary feedback on public sector specific issues to assist staff in continuing to progress the development of the draft IPSASB ED SRS X, *Climate-related Disclosures* over Q2 2024.

### Background

3. Metrics and Transitional Provisions are two of the next sections of the draft Standard to be developed in Quarter 2 by staff and presented to the Board for discussion and review.
4. In advance of developing these sections, Board members will have an opportunity to provide input and share their thoughts and insights on public sector approach to these areas that will support and feed into the drafting which will be presented for formal discussion and review by the Board in June 2024.

### Metrics and Targets

5. In response to the CP, some constituents pointed the IPSASB to consider the relationship of reporting to global goals, particularly on the UN Sustainable Development Goals (SDGs). During the December 2023 IPSASB meeting, members also reiterated that the objective of reporting should tie back to the international commitments, such as SDGs and the Paris agreements, including national targets that many countries have announced.
6. On this basis, staff presented to the SRG and CTWG the below building blocks for guidance on metrics and targets.



7. This diagram illustrates how the guiding principles for developing metrics and targets may be driven based on the goals and targets set out by international goals of UN SDGs and the Paris agreement. Staff propose that IPSASB SRS metrics guidance is aligned with private sector guidance for entities' own operations, and where appropriate for public sector policy activities too. Consideration will also

be needed as to whether any additional metrics and targets guidance is needed, particularly for policy activities, that is not provided for in this private sector guidance.

8. SRG members supported the broad framework approach above to link metrics and targets to global goals and international agreements, which already have strong support and buy-in and existing statistical data compilation requirements (data compilation, data and estimate submissions).
9. CTWG members provided specific feedback on the relevance of certain private sector metrics (e.g., climate-related remuneration policies and carbon pricing) and noted the challenges with metrics relating to policy activities (e.g., determining the scope for regulators, extent of reporting on GHG emissions across scopes 1, 2 and 3 of policies).
10. Staff and representatives of UNDP, ISSB and GRI further discussed and explored the relationship between the different frameworks at the Public Sector Climate-related Metrics Workshop as outlined in [Agenda Item 10.2.1](#).
11. Based on these discussions, staff propose the following approach and areas for further research and consideration in Q2 2024:
  - a) Align public sector metric requirements with IFRS S2 metrics (IFRS S2 paragraphs 29(a) – (e)) in relation to an entity's own operations in accordance with approach recommended in [Agenda Item 10.3.2](#).
  - b) Consider public sector adaptations for an entity's own operations in relation to:
    - (i) Internal carbon pricing (IFRS S2.29(f))—consider if public sector adaptations are needed;
    - (ii) Remuneration (IFRS S2.29(g))—consider the relevance for public sector where there may incentive programs;
    - (iii) Industry-based metrics (IFRS S2.32)—consider encouraging entities to consider potentially comparable SASB Industry guidance and provide examples or explanation of the potential relevance of some SASB Industry Categories (e.g., for education and healthcare) for some OECD Classification of the Functions of Government (COFOG);
  - c) Provide additional principles and application guidance on metrics for policy activities in accordance with the proposed approach in Agenda Item 10.2.3, including:
    - (i) Require use of:
      - a. [GHG Protocol Policy and Action Standard](#) to enable preparers to estimate and report the expected change in emissions and removals resulting from specific policies and actions; and
      - b. [GHG Protocol Mitigation Standard](#) to enables preparers to evaluate and report overall progress toward national or subnational GHG reduction goals;
    - (ii) Consider additional guidance on other Paris Agreement articles not in private sector guidance, specifically relating to:
      - a. Policy activities – management of sinks and reservoirs and policies around market and non-market approaches (Articles 5 and 6 of the Paris Agreement); and
      - b. International organizations – consider basing guidance on GRI CC-3 Just Transition for facilitating support for loss and damage, finances, technology and

capacity building between developed and developing countries (Articles 8-11 of the Paris Agreement).

*Transitional Provisions*

12. SRG members and respondents to the May 2022 Consultation Paper, *Advancing Public Sector Sustainability Reporting* raised public sector implementation challenges due to limited capacity, skills and resources. Such challenges may be addressed through proportionality provisions, including transitional provisions.
13. Some have also suggested the IPSASB consider other factors with regards to public sector transition including:
  - a) The principle of ‘*common but differentiated responsibilities*’ which was formalized with in the United Nations Framework Convention on Climate Change (UNFCCC) and acknowledges the different capabilities and responsibilities of different countries, particularly developing nations, with regards to the shared common responsibility for addressing climate change; and
  - b) The public sector’s power to legislate reporting requirements which may allow for additional preparatory time and ‘dry runs’ over an extended period before fully adopting a standard unlike private sector transitions where timing for adoption is mandated by regulators.
14. Many private sector companies, such as small and medium enterprises, also face proportionality challenges due to limited capacity, skills and resources. The ISSB considered these challenges and provides proportionality provisions and transition provisions that include:
  - a) Proportionality mechanisms (see paragraphs BC14-BC15 of IFRS S2):
    - (i) The concept of “reasonable and supportable information without undue cost or effort” in the identification of risks and opportunities, determination of the scope of value chain, climate-related scenario analysis, measurement of scope 3 GHG emissions and calculation of particular cross-industry metrics; and
    - (ii) Consideration of skills, capabilities and resources in strategy disclosures relating to anticipated financial effects and climate-related scenario analysis;
  - b) Transitional provisions (see IFRS S2 paragraphs C3-C5) that allow in the first annual reporting period:
    - (i) No disclosure of comparative information;
    - (ii) Use of a methodology to measure GHG emissions other than GHG Protocol: A Corporate Accounting and Reporting Standard (2004), if the other method was used in the annual reporting period immediately preceding the date of initial application of IFRS S2; and
    - (iii) No disclosure of Scope 3 GHG emissions.
15. For the purposes of breakout group discussions, following are three potential approaches to providing transitional guidance for the public sector:
  - a) Private Sector Aligned Transition – provide the same transitional provisions as IFRS S2 for deferring reporting of comparative information and Scope 3 GHG emissions in the first annual reporting period;

- b) Extended Private Sector Transition – extend the provisions for reporting of comparative information and Scope 3 GHG emissions from the first annual reporting period to three annual reporting periods; or
  - c) Public Sector Specific Transition – consider alternative approaches; for example, similar to the HM Treasury phased roll out of application guidance for TCFD, allow for gradual reporting such as requiring governance and risk management disclosures in the first annual reporting period, followed by strategy in the second year, and metrics and targets in the third year.
16. Similar to some countries' experience with the journey to adoption of IPSAS and as noted in paragraph 12(b) above, reporting entities might consider the use of 'dry run' preparation periods prior to formal adoption of IPSASB SRS. Such dry-run periods could precede all three outlined transition timelines above.

#### *Preparation for breakout group discussions*

17. The following should be reviewed in advance of scheduled plenary time to support constructive discussions with other Board members and Technical Advisers in breakout groups:
- a) [IFRS S2](#) sections:
    - (i) Metrics and Targets (paragraphs 29-37 and B19-71);
    - (ii) Proportionality (paragraphs BC14-BC15) and Transitional Provisions (paragraphs C3-C5)
  - b) GRI Climate Change, Disclosures CC-1 and CC-2 of the GSSB's [exposure draft of a new climate change standard](#); and
  - c) [The Paris Agreement](#).

#### **Breakout group discussions**

18. At the March 2024 meeting, the IPSASB, Technical Advisors, and Observers will be allocated to a breakout group to discuss Metrics and Targets, and Transitional Provisions. Insights from the breakout groups will be reported back in session to the IPSASB and will be used by staff to develop material for consideration and consultation with the SRG and to develop proposals with the CTWG to ensure Board input is incorporated into the development of the next sections of the Standard in Q2 2024.
19. Additional details on breakout groups will be provided in person at the March 2024 IPSASB meeting.

**Questions**

20. Similar to previous breakout group discussions, breakout group discussions will be fluid, however key feedback reported back to the IPSASB in session is requested on specific questions, as follows:

*Metrics and Targets*

- What comments do you have on the proposed application of IFRS S2 metrics for entities' own operations?
- What comments do you have on the proposed areas that require further consideration for public sector differences, particularly in relation to policy activities?
- What other public sector differences staff should explore?

*Transitional Provisions*

- Do you have a preference for (i) private sector aligned transitional provisions, (ii) extended private sector transitional provisions or (iii) public sector specific transitional approaches?
- If you have a preference, please explain the reason for your preference.
- If you prefer (iii) above, please provide your rationale for why these are needed for the public sector, some examples of transitional provisions and how they would work.
- Are there other proportionality considerations that staff should explore?
- To what extent do you believe the 'dry run' approach might be helpful and why?

**Supplemental Material (FOR INFORMATIONAL PURPOSES ONLY)**

21. Board members and technical advisers are encouraged to review the following additional material to support preparation and constructive discussions for breakout group discussions:

- a) UN Sustainable Development Goals - [SDG 13 Targets and Indicators](#)
- b) SASB [Standards](#) and [Industries](#)
- c) GHG Emissions Accounting Methodologies:
  - (i) GHG Protocol Standards
    - a. [GHG Protocol Corporate Standard](#) (required by IFRS S2 and aligned with the GHG emissions disclosure requirements of GRI 305);
    - b. [GHG Protocol Policy and Action Standard](#); and
    - c. [GHG Protocol Mitigation Standard](#).
  - (ii) [IPCC Guidelines](#) (required for reporting on Paris Agreement)