

SUSTAINABILITY CLIMATE- RELATED DISCLOSURES

IPSASB Meeting – March 2024

Celine Chan, Principal

New York City, USA



AGENDA

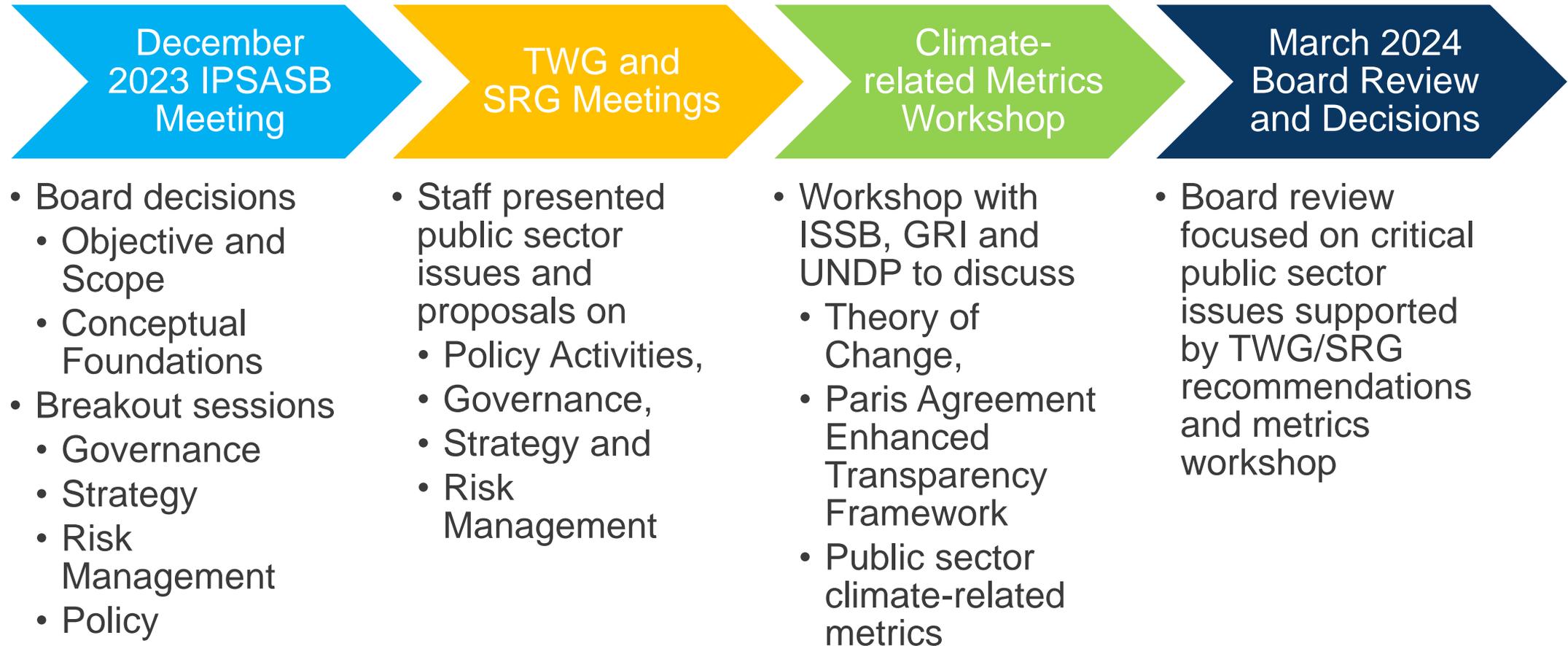
- 1. Project Management and Q1 2024 Developments**
- 2. Project Objective and Approach**
- 3. Public Sector Policy Activities**
- 4. Governance**
- 5. Strategy**
- 6. Impact and Risk Management**
- 7. Breakout Groups – Metrics and Transition**

Timeline to final Climate-related Disclosure Standard



*IPSASB will incorporate general sustainability-related foundational concepts in this project, until a general sustainability-related disclosure project commences. Conceptual Foundations include impacts and materiality, and General requirements includes sources of guidance, timing and location of reporting, judgments, measurement and errors.

Project Management and Q1 2024 Developments

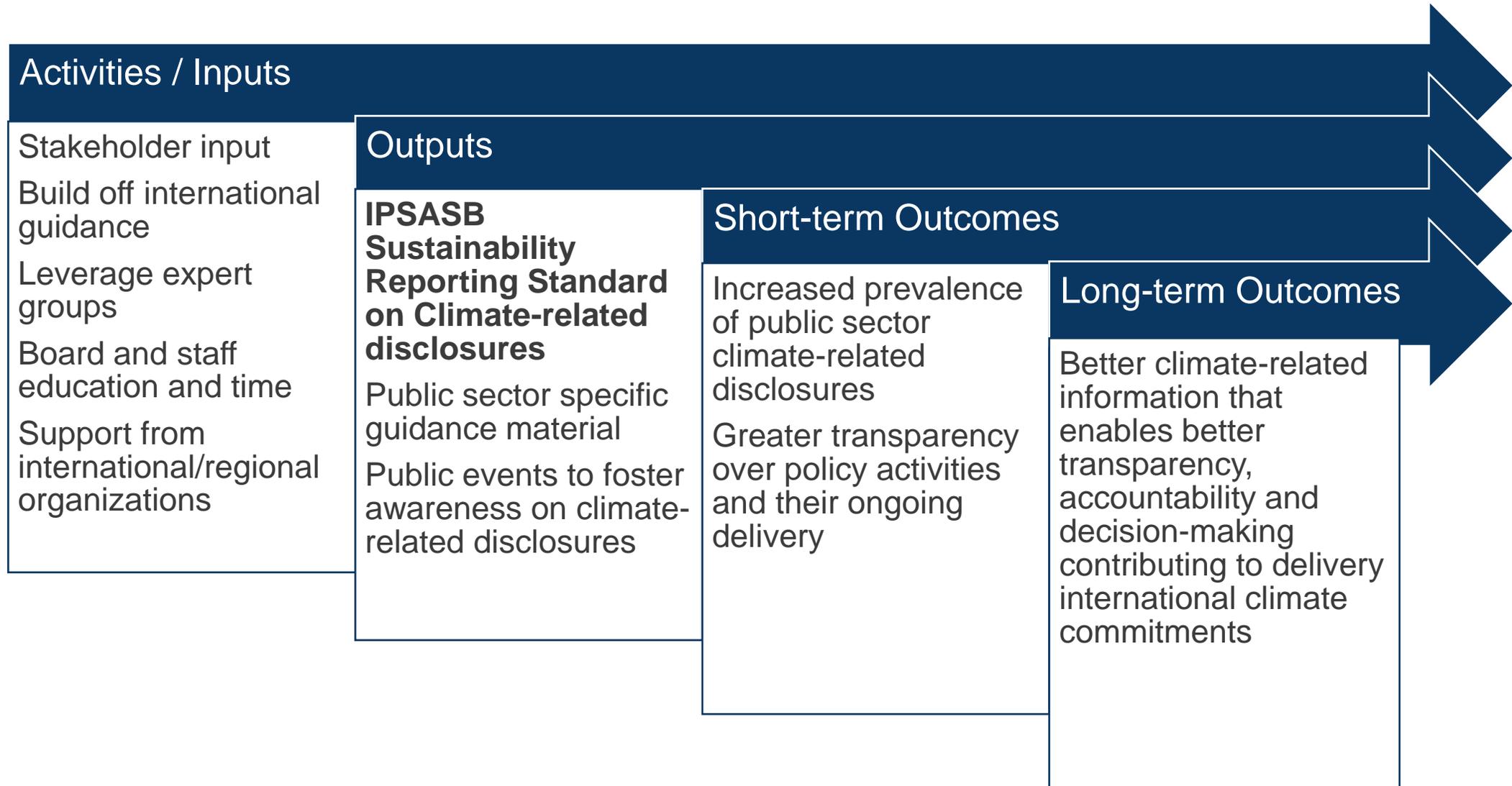


Project Objective and Approach

Basic Assumptions:

- Public sector activities are a key part of the economy and critical to delivery on international agreements, including supporting national plans;
- Public sector has policy setting role to influence other sectors of the economy to play their parts to delivery on international agreements;
- Entity level information will improve quality of jurisdiction level information;
- Framework for public sector climate-related reporting should:
 - Support accountability of own operations as well as policy activities (as applicable)
 - Meet investor needs and so be consistent with private sector guidance; and
 - Support delivery of the latest international agreements

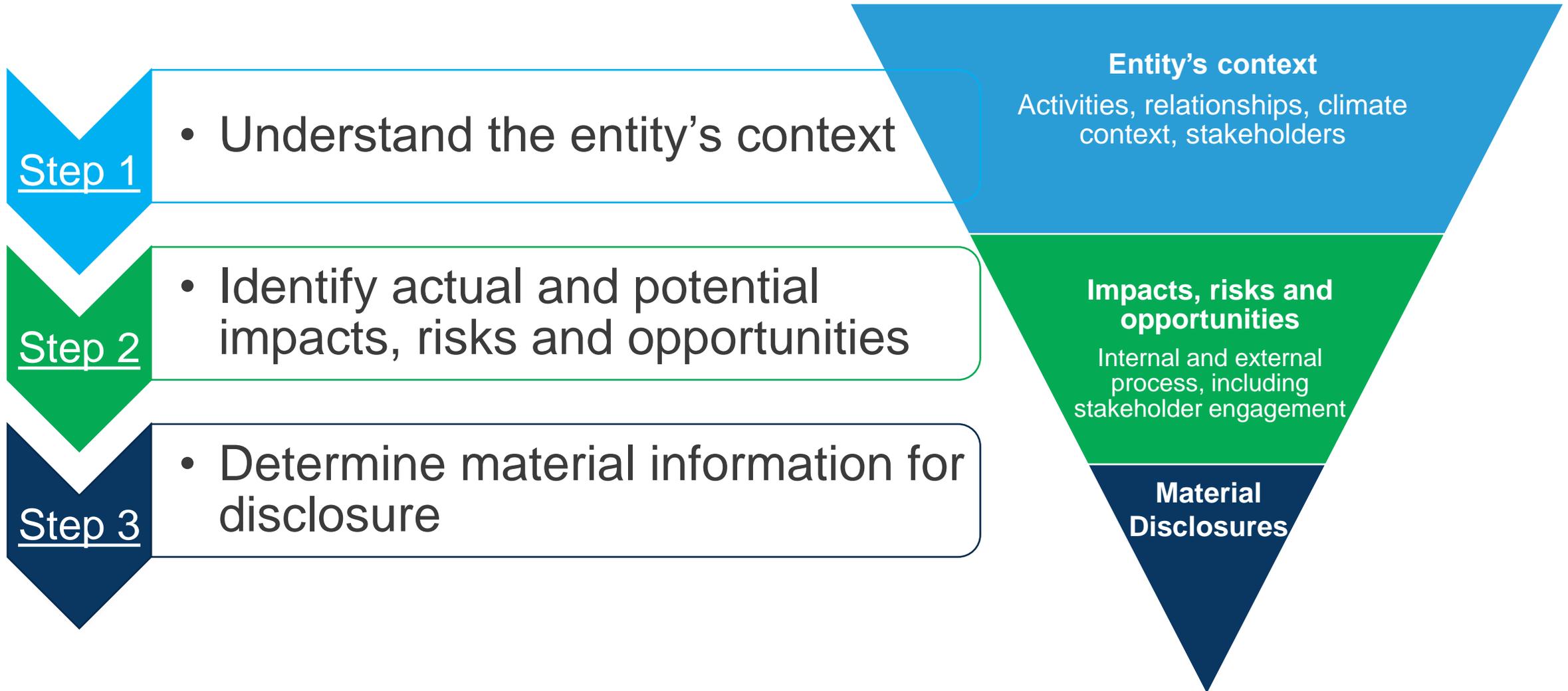
Project Objective and Approach



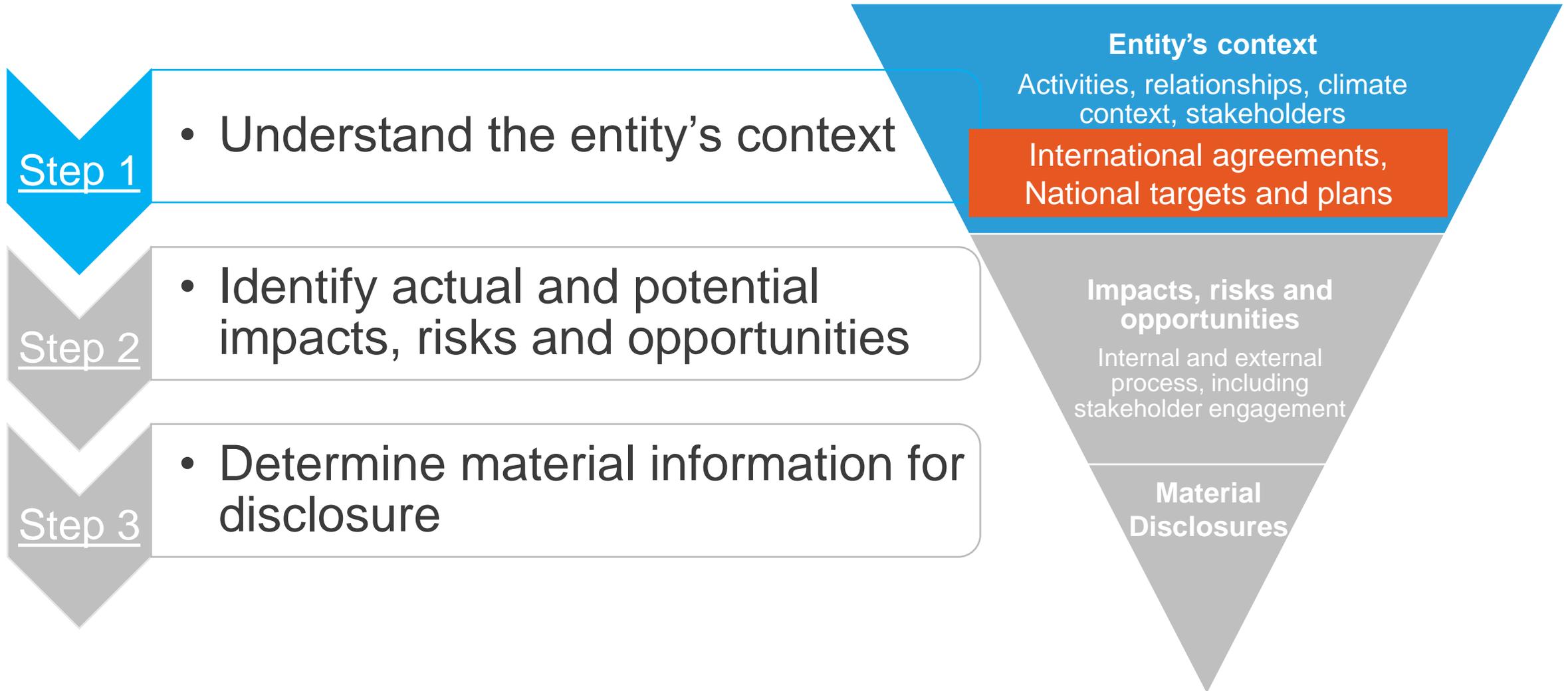
How do we articulate the project aspiration (for BCs)?

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.

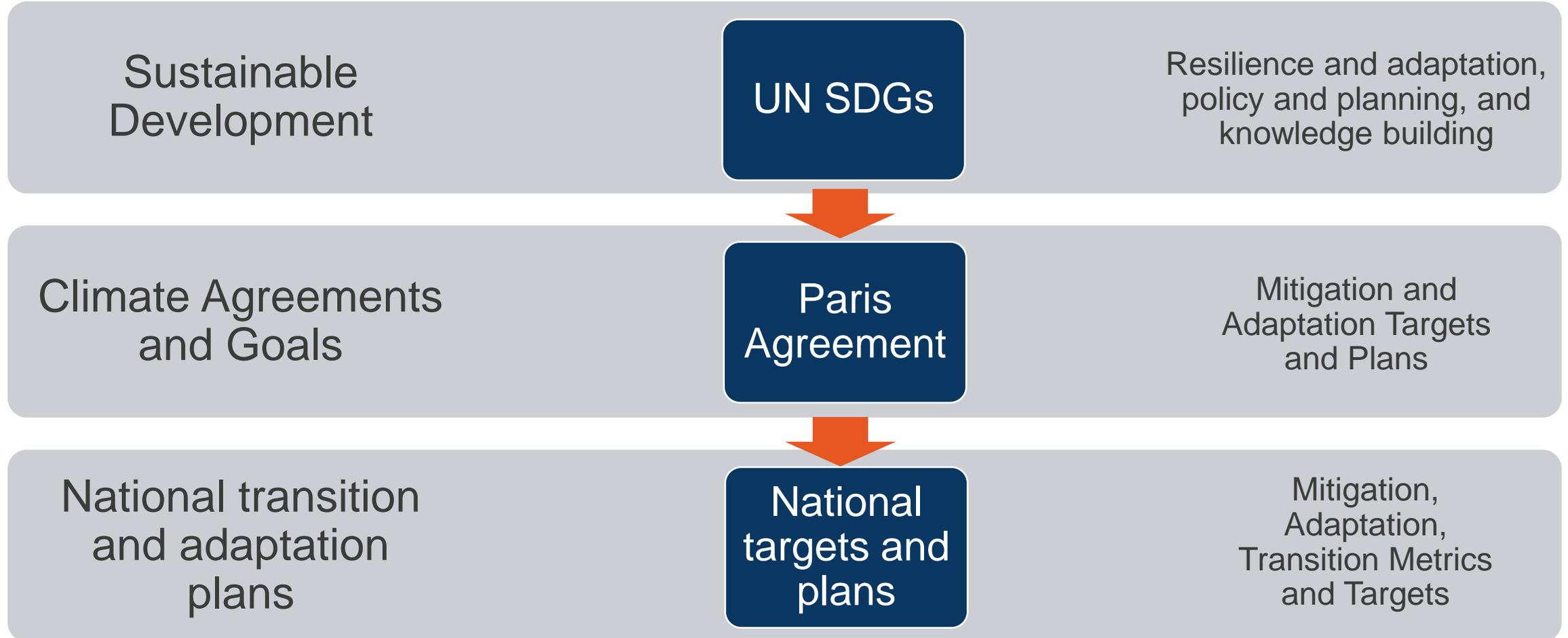
Steps to determining material information



Steps to determining material information



Understanding the entity's context



Project Objective and Approach

Analysis

- What we heard from December 2023 breakout groups:
 - One of the key objectives of climate-related reporting by public sector entities is to provide information that supports delivery on national plans and international commitments
- What we heard from SRG:
 - Linkage to international commitments support rationale for IPSASB SRS given history and wide acceptance of SDGs and Paris

Recommendation

- Include understanding latest international agreements as part of Understanding an entity's context
- Incorporate contributing to the latest international agreements in governance, strategy, risk management and metrics
- Include ToC thinking in BCs

Public Sector Policy Activities

Sustainable Development and Climate Goals

UN SDGs

Paris Agreement

Public Corporations

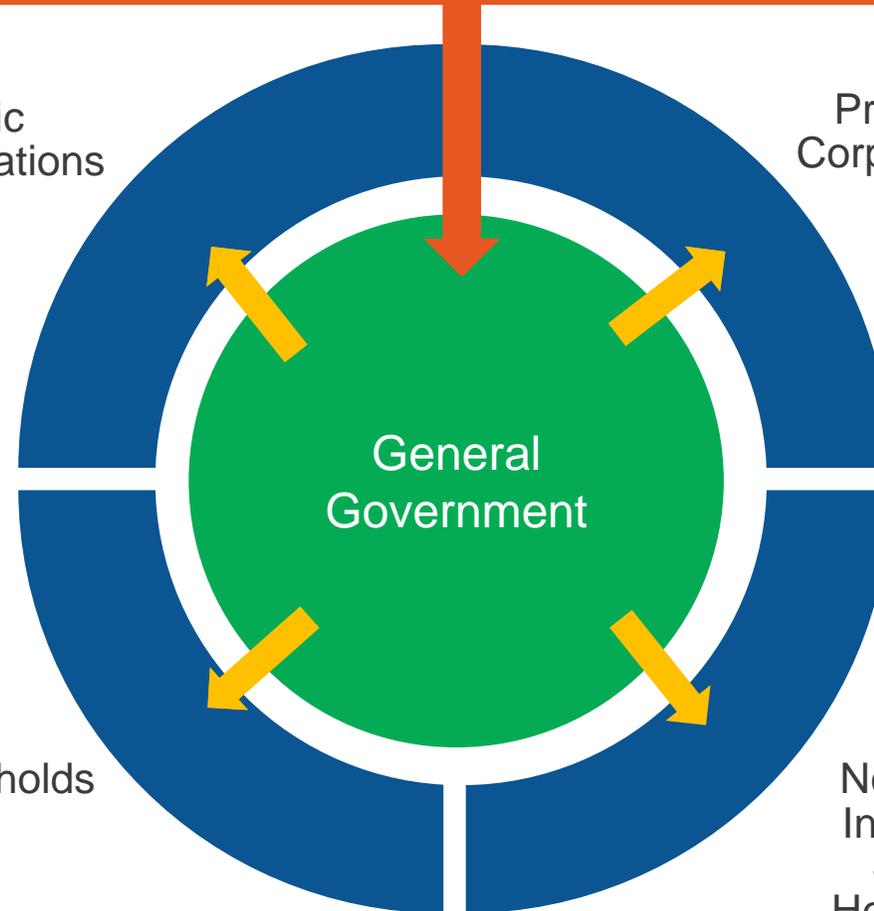
Private Corporations

All economic entities have impacts, risks and opportunities related to its OWN operations

Policy activities influence those of **OTHER** entities
Through policy tools, including legislation, regulation, programs, guidelines, subsidies, etc.

Households

Nonprofit Institutions Serving Households



Public Sector Policy Activities

CP: Building block approach to Sustainability Reporting

2

**MULTI-STAKEHOLDER
FOCUSED**
SUSTAINABILITY
REPORTING



Policy Activities



Public Sector
Guidance

1

INVESTOR FOCUSED
SUSTAINABILITY
INFORMATION MATERIAL
TO ENTERPRISE VALUE



INTEROPERABILITY

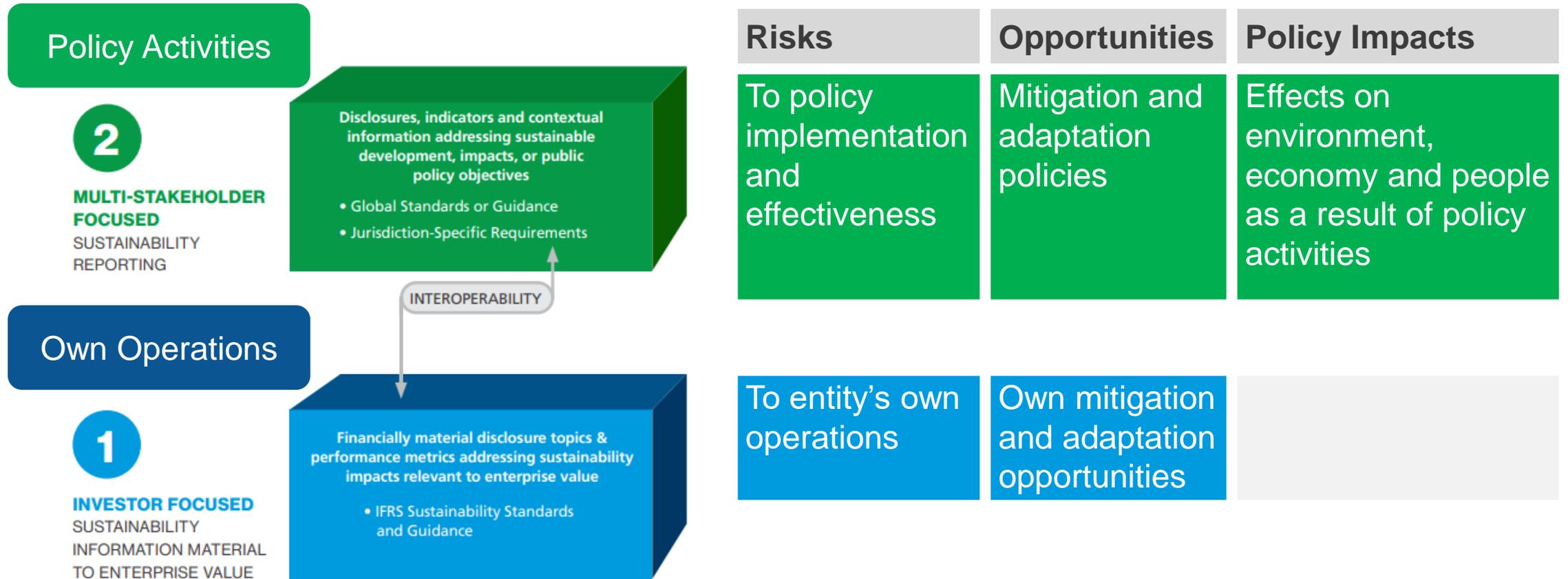


Own Operations



IFRS S2

Public Sector Policy Activities



Public Sector Policy Activities

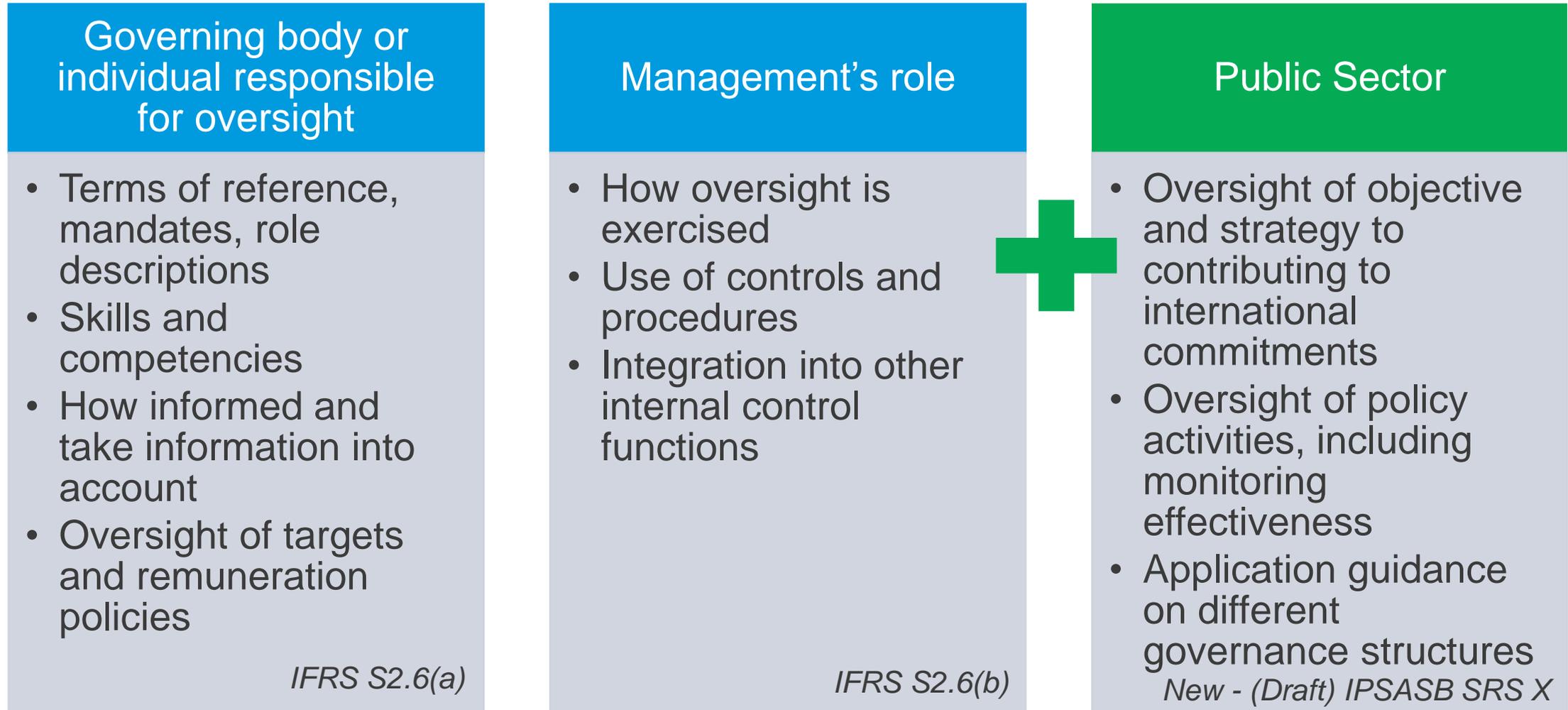
Analysis

- Consistent with what we heard from December 2023 breakout groups:
 - Policy intervention is relevant to the various elements of climate-related disclosures;
 - Consider a principle-based framework
- Consistent with what we heard from SRG and CTWG on own operations vs. policy activities:
 - Agree key role of regulators
 - Support approach and accountability for policy activities

Recommendation

- Align with private sector guidance for public sector entity's own operations, plus supporting application guidance
- Require disclosure of policy-related impacts on environment, economy and people
- Additional guidance for public sector policy activities:
 - Define policy activities
 - Understand an entity's context
 - Requirements for governance, strategy, risk management and metrics

Governance



Governance

Analysis

- Consistent what we heard from December 2023 breakout groups:
 - Aim of good governance for public and private sectors are the same
 - Some public and private sector governing arrangements are similar while others may have different structures, e.g. different levels of government, ministries, etc.
 - Governance should tie back to and provide oversight of policies and international agreements, including national targets

Recommendation

- Align governance disclosure principles with IFRS S2 for own operations
- Add oversight of objective and strategy to contributing to international commitments
- Add oversight of policy activities, including monitoring effectiveness
- Provide application guidance on different governance structures

Strategy

Climate-related impacts, risks and opportunities

- Describe the impacts, risks and opportunities identified
- Explain whether risks identified are physical or transition risks
- Specify the time horizons

Strategy and decision-making

- Changes to the operational model
- Mitigation and adaptation efforts
- Transition plan
- Plans to achieve targets, resourcing and progress

Operational model and value chain*

- Describe effects of risks and opportunities on operational model and value chain
- Concentration e.g. geography, asset type

Financial position, performance and cash flows

- Current effects including on assets and liabilities
- Anticipated effects including investment and disposal plans, sources of funding

Public sector

- Strategies include:
 - Contribution to international commitments
 - Policy activities (if applicable)
- Application guidance on:
 - Public sector value chain
 - Current and anticipated financial effects of policy activities
- References to other entity's climate-related scenarios analysis



Based on IFRS S2.10-21

New - (Draft) IPSASB SRS X

*An operational model is an entity's system of activities, including policy setting and funding, that contribute to delivery of services, goods and policy outcomes to fulfill the entity's objectives. A reporting entity's value chain refers to the full range of activities to bring the reporting entity's services, goods, policies from conception to end use.

Strategy

Analysis

- Consistent with what we heard from December 2023 breakout groups:
 - Strategy should reflect an entity’s own contribution to international commitments, including national plans
 - Strategy encompasses an entity’s own activities as well as policy setting and regulatory role
 - Public sector risks may be different and an entity’s strategy should address this
 - Public sector entities have scenario analysis processes

Recommendation

- Align strategy disclosure principles with IFRS S2 for own operations
- Add strategy objective of contributing to international commitments and include policy tools
- Provide application guidance
 - Public sector value chain
 - Current and anticipated financial effects of policy activities
 - References to other entity’s climate-related scenarios analysis

Impact and Risk Management

Risk processes

- Inputs and parameters used
- Informed by climate-related scenarios
- Assessment of nature, likelihood and magnitude
- Prioritization of climate-related to other risks
- Monitoring
- Changes to process

Opportunities Process

- Processes to identify, assess, prioritize and monitor
- Informed by climate-related scenarios

Integration

- Extent of integration with overall risk management

Public Sector

- Impact management relating to policy activities
- Application guidance on:
 - Public sector specific risks
 - Leverage risk management of other entities

IFRS S2.25

New - (Draft) IPSASB SRS X

Impact and Risk Management

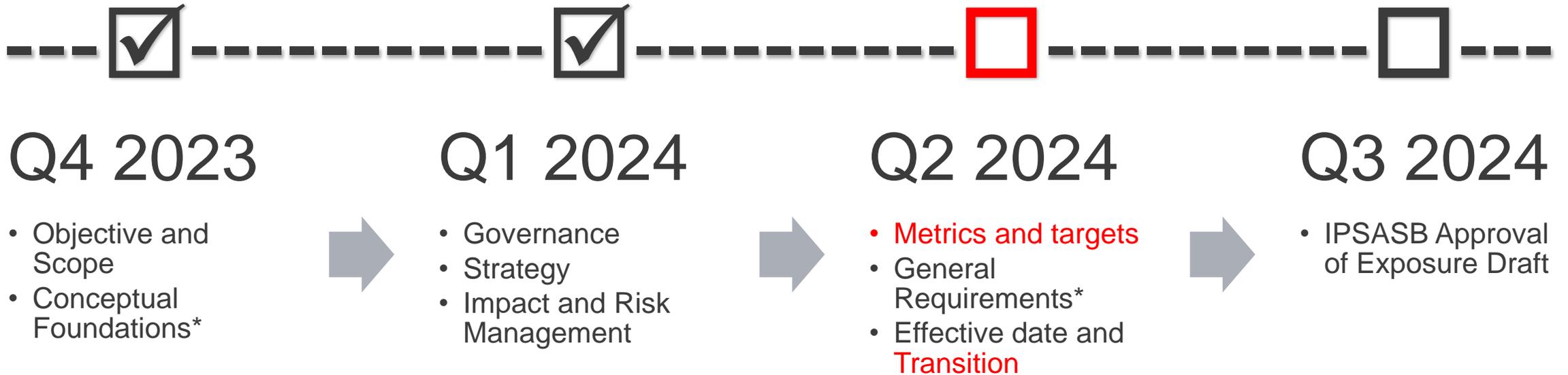
Analysis

- Consistent with what we heard from December 2023 breakout groups:
 - Risk management framework and methodology are the same for public and private sectors
 - Risks and mitigation for public sector are different:
 - Risk to delivery of strategy and international commitments, and other unmanageable risks
 - Mitigation tools include policy and regulation
 - Risks to policy setting and impacts on economy, environment and people

Recommendation

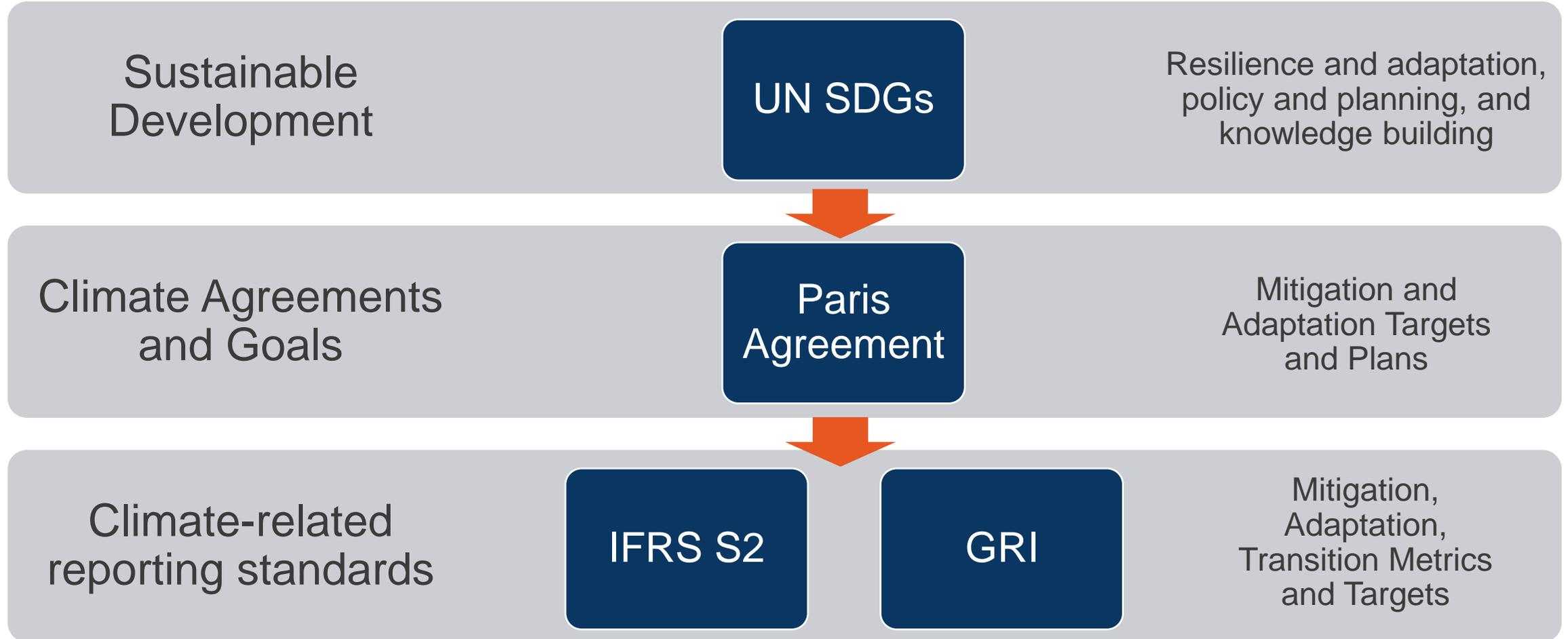
- Align risk management principles with IFRS S2 for policy implementers and policy setters
- Provide application guidance on public sector specific risks
- Provide principles for disclosure of risks beyond own activities, to those that a policy setter's influence and impact

Timeline to final Climate-related Disclosure Standard



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Climate-related Metrics and Targets



Climate-related Metrics Workshop

Paris Agreement Articles	IFRS S2	GRI CC ED	Public Sector Relevance
Long-term temperature goal (Article 2)			Own operations – e.g., transition plans and GHG emissions
Global Peaking (Article 4)			
Mitigation (Article 4)			
Adaptation (Article 7)			Own operations – e.g., adaptation plans
Sinks and Reservoirs (Article 5)			Policy activities – e.g., land use and conservation
Markets and non-markets (Article 6)			Policy activities – e.g., carbon markets
Loss and Damage (Article 8)			Policy activities – international organizations
Finance, Technology and Capacity Building Support (Article 9-11)			
Education and Awareness (Article 12)			Out of scope for IPSASB SRS

Climate-related Metrics

Public Sector proposals for break-out group discussion

Adaptations to private sector metrics (own operations):

1. Remuneration - consider relevance for public sector
2. Industry-based Metrics - consider SASB comparability to COFOG

Policy activity-related metrics:

1. Include:
 - Management of sinks and reservoirs (e.g. policies related to land use and conservation)
 - Policies around market and non-market approaches (e.g., carbon market policies)
2. International support related to international programs (e.g. support between developed and developing countries)
3. Require use of GHG Protocol Policy and Action Standard and GHG Protocol Mitigation Standard

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 of focus for policy activity related metrics?
- Are there other public sector differences should staff explore? Please explain why.



Metrics and Targets

1. What comments do you have on the proposed application of IFRS S2 metrics for entities' own operations?

Adaptations to private sector metrics (own operations):

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2. Industry-based Metrics (consider SASB comparability to COFOG)

Metrics and Targets

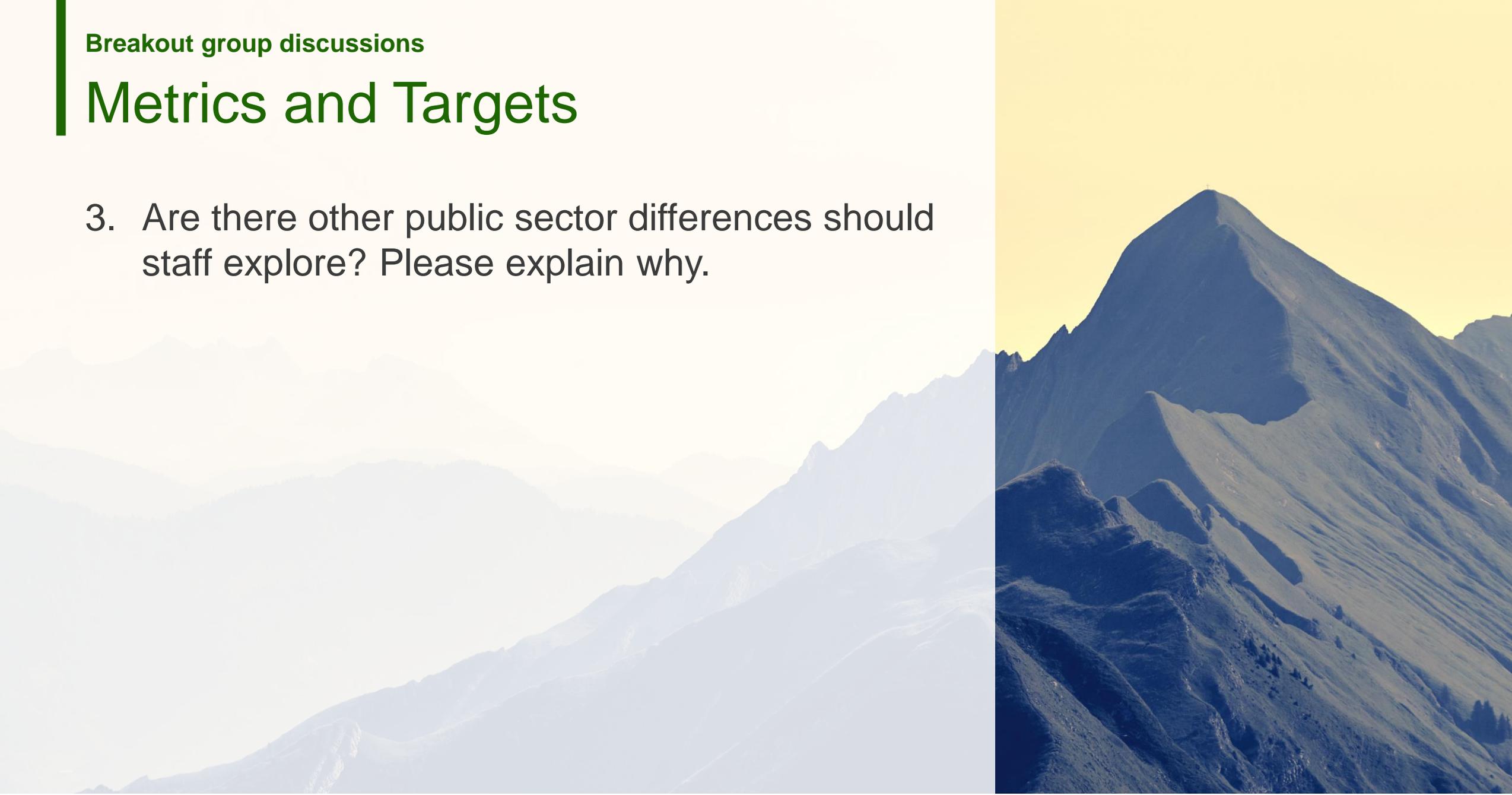
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Metrics and Targets

3. Are there other public sector differences should staff explore? Please explain why.



ISSB Transitional and Proportionality provisions

	Transitional provisions	Mechanisms to address proportionality challenges	
		Reasonable and supportable information without undue cost and effort	Consideration of skills, capabilities and resources
Measurement of scope 1 and 2 GHG emissions	X		
Measurement of scope 3 GHG emissions	X	X	
Identification of risks and opportunities		X	
Determination of the scope of value chain		X	
Anticipated financial effects			X
Climate-related scenario analysis		X	X
Calculation of particular cross-industry metrics		X	

Transitional provisions

Public Sector proposals for break-out group discussion

A. Private Sector Aligned

- Year 1: exclude comparative information and Scope 3 GHG emissions

B. Extended Private Sector Transition

- Years 1-3: exclude comparative information and Scope 3 GHG emissions

C. Public Sector Specific Transition

- Alternative approach, such as, reporting at a minimum:
- Year 1: Governance and Risk management
- Year 2: Strategy, excluding scenario analysis, and Scope 1 and 2 GHG emissions
- Year 3: Full disclosures, including scenario analysis and Scope 3 emissions



Breakout group discussion

Transitional Provisions

- Do you have a preference for any of the proposed transitional provisions? Please explain rationale.
- If you prefer option C public sector specific approach, please explain why and provide some examples.
- To what extent do you believe the “dry run” approach might be helpful before moving into transitional period?

Transitional Provisions

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Proposals for discussion:

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- Year 1: exclude comparative information and Scope 3 GHG emissions

B. Extended Private Sector Transition

- Years 1-3: exclude comparative information and Scope 3 GHG emissions

C. Public Sector Specific Transition

- Alternative approach, such as, minimum:
- Year 1: Governance & Risk management
- Year 2: Strategy, excluding scenario analysis, and Scope 1 and 2 GHG emissions
- Year 3: Fully disclose

A large, leafy tree with a thick trunk stands in a field of tall grass under a blue sky with light clouds. The tree's branches are spread out, and its leaves are a vibrant green. The background shows a clear horizon line with a few distant trees.

IPSASB

International Public
Sector Accounting
Standards Board®

BREAKOUT GROUPS

CLIMATE-RELATED DISCLOSURES

In Session

BREAKOUT GROUP DISCUSSIONS

IPSASB Meeting – March 2024

New York City, USA

A large, leafy tree stands in a field under a blue sky with the text "REPORT BACK" overlaid. The tree has a thick trunk and a wide, spreading canopy of green leaves. The field is filled with tall grass, and the sky is a clear, bright blue with some light clouds. The text "REPORT BACK" is written in a bold, green, sans-serif font, centered horizontally across the middle of the image. The text is overlaid on a semi-transparent white rectangular background that spans the width of the image.

REPORT BACK

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