

SUSTAINABILITY CLIMATE- RELATED DISCLOSURES

IPSASB Meeting – June 2024

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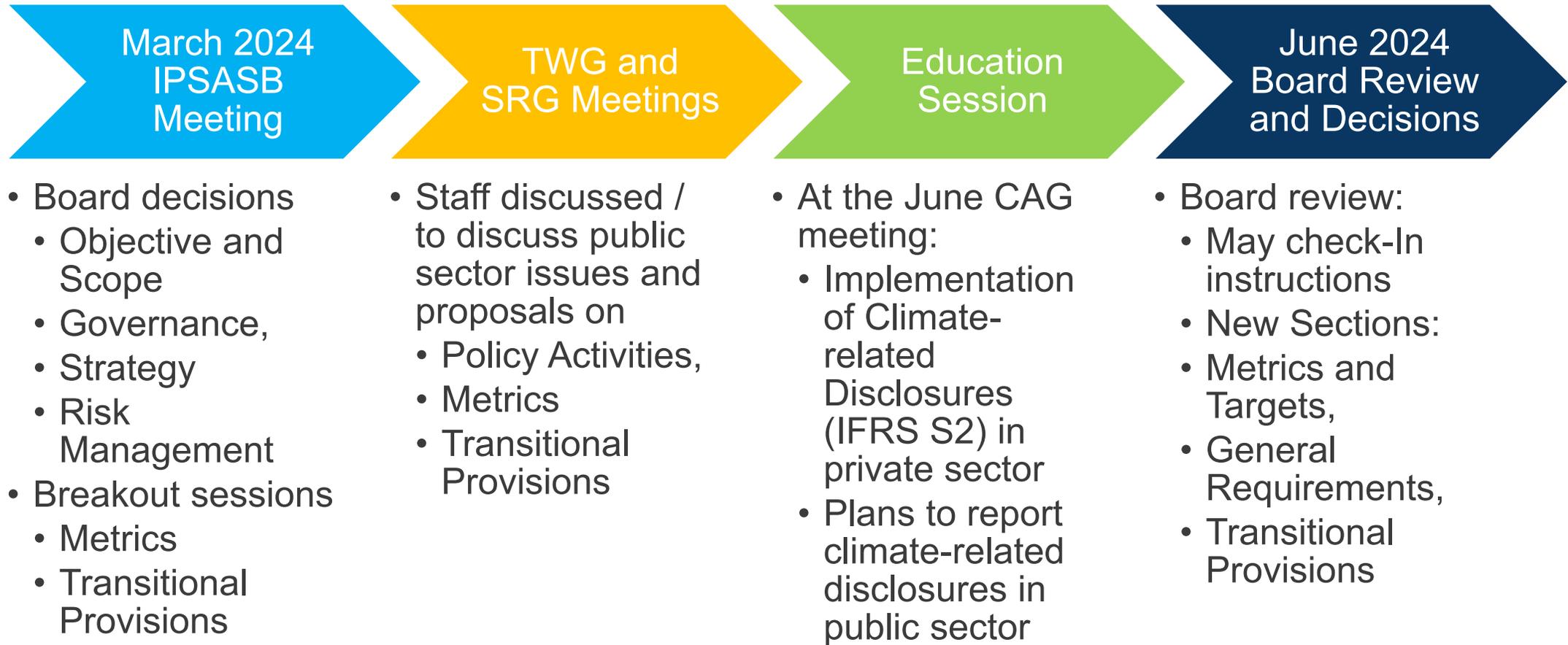




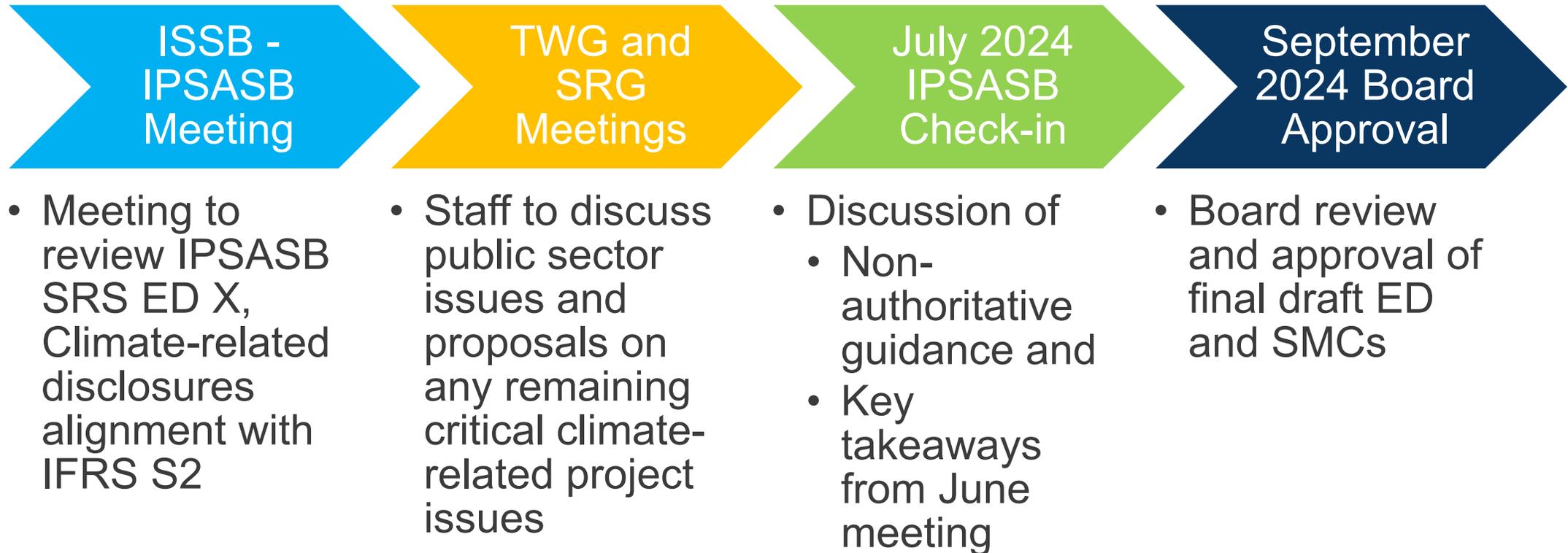
AGENDA

- 1. Project Management and Next Steps**
- 2. Instructions from May check-in**
- 3. Metrics for Climate-related Policy Activities**
- 4. Metrics for Entity's Own Operations**
- 5. Transition**
- 6. General Requirements**

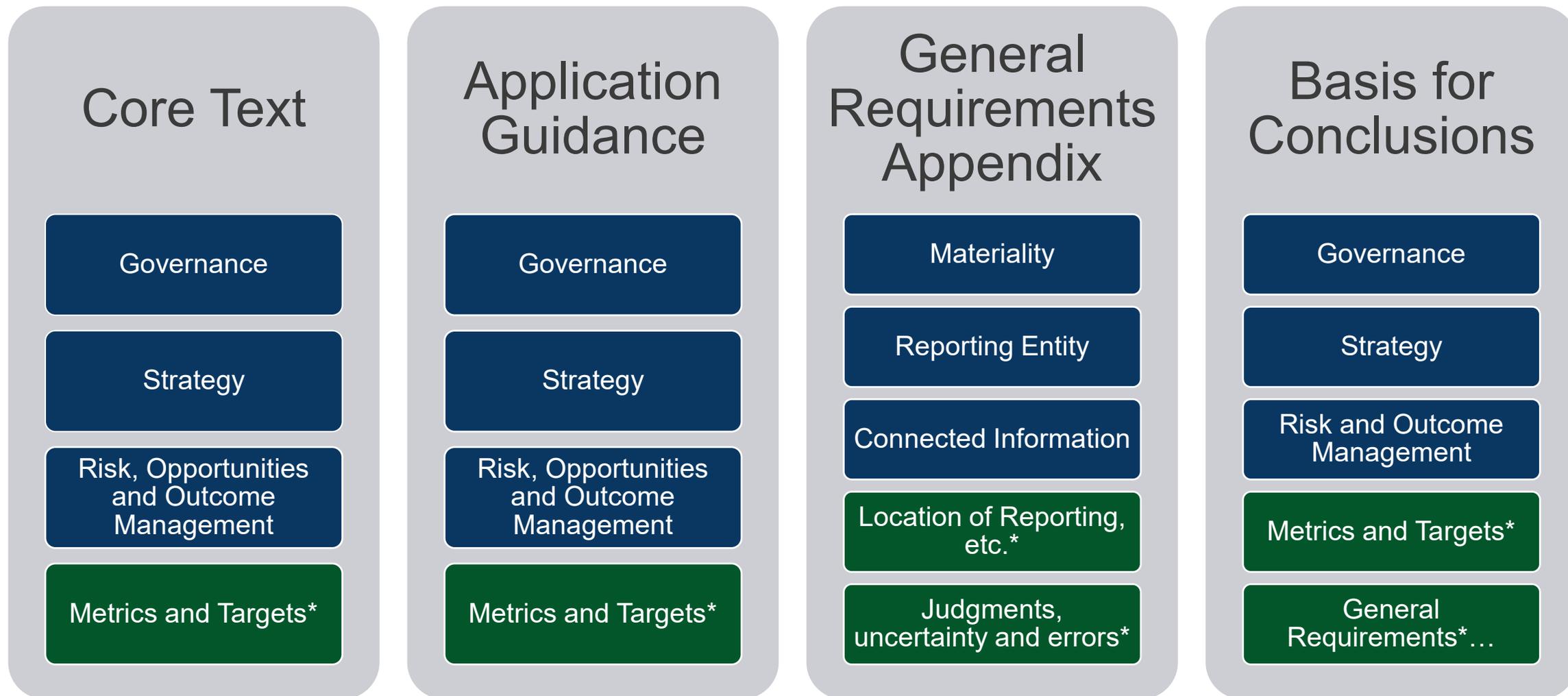
Project Management Process



Project Management Process – Next Steps



Climate-related Disclosures Standard Structure



*New sections for review in June

Climate-Related Disclosures: Building Block Approach

**PUBLIC SECTOR
OWN
OPERATIONS**

1

**Align with Private
Sector Guidance**

Material disclosures about an entity's climate-related risks and opportunities

- IFRS Sustainability Disclosure Standards
- GRI Standards

Own operations are an entity's activities, other than **external** policy activities.

**PUBLIC SECTOR
POLICY
ACTIVITIES**

2

**Develop Public Sector
Specific Guidance**

Material disclosures about the entity's climate-related policies and outcomes as a result of those policies

- Jurisdiction specific commitments to climate change agreements and legislation

Policy activities are interventions using sovereign powers designed to **influence decisions or behaviors of other entities or individuals.**

INTEROPERABILITY

Climate-related policy activities

Analysis

- Internal vs. external policy activities
 - Private and public sector entities have internal policy activities
 - Delineate own operations from policy activities to address the unique influence over other entities and individuals
- All vs. climate-related policy activities
 - Many policy activities may affect GHG emissions, the environment and the economy
 - Objective is to provide information for decision making and accountability for climate action commitments

Recommendation

- Policy activities relate to those external policies to influence other entities and individuals
- Scope of reporting policy activities should be limited to those **policy activities that are explicitly designed to address climate**

Climate-related policy activities

Core Text

Definitions
Paragraph 6
Policy Activities p.10

Definitions
Paragraph 6
Climate-related policy
activities p.7

Appendix B Application Guidance

Identifying risks,
opportunities and
outcomes
B.AG6, B.AG14 and
B.AG22
p.106, 110, and 113

B.AG7
p.107

Basis for Conclusions

Public Sector Policy
and Regulatory Role
BC8
p.157

Overall Development
Approach
BC16
p.159

Other Instructions from the May Check-in

Instructions

Action and Reference

Objective and Scope

- Clarify the Objective paragraphs to explain 'service delivery' is a dimension of long-term fiscal sustainability.

- Updated paragraph 2

Definitions

- Clarify the guidance on 'outputs' in RPG 3 includes policy activities.

- Clarified in BC35

Governance

- Update the objectives in governance and strategy paragraphs to include non-financial reporting

- Removed 'financial' in paragraphs 7, 11 and 28

Strategy

- Reconsider thresholds for own operations and policy activities and whether policy setting entities are being held to a higher threshold

- Updated paragraph 25 to remove reference to lower threshold for disclosures relating to climate-related policy activities

Other Instructions from the May Check-in (cont'd)

Instructions

Strategy

- Review guidance needed for scenario analysis reporting by smaller entities
- Consider additional disclosure requirements or guidance relating to current and anticipated effects on service delivery.
- Review disclosure requirements in relation to funding of policy activities.

Risks, Opportunities and Outcomes Management

- Revise title to include “Opportunities”

Action and Reference

- Paragraphs B.AG15, B.AG33 and AG23 clarify smaller entities may leverage group analysis
- Climate effects on service delivery is addressed by strategy disclosures (paragraph 13)
- Updated paragraph 24(d) to remove duplication with paragraph 25(b).
- Updated title of the section

GHG Emissions from Climate-related Policy Activities

Analysis

- GHG Emissions:
 - Inventories within a boundary such as entity's value chain or a jurisdiction
 - Changes in GHG emissions such as reductions from policies and programs – provides clear accountability for outcomes
- Methodologies
 - Various sources of guidance including GHG Protocol Policy and Action Standard

Recommendation

Require entities to disclose:

- The estimated change in GHG emissions resulting from the entity's climate-related policy activity
- A description of the methodology and scope of the GHG emissions estimate

GHG Emissions from Climate-related Policy Activities

Core Text

Metrics and Targets
Paragraph 42(a)
p.40

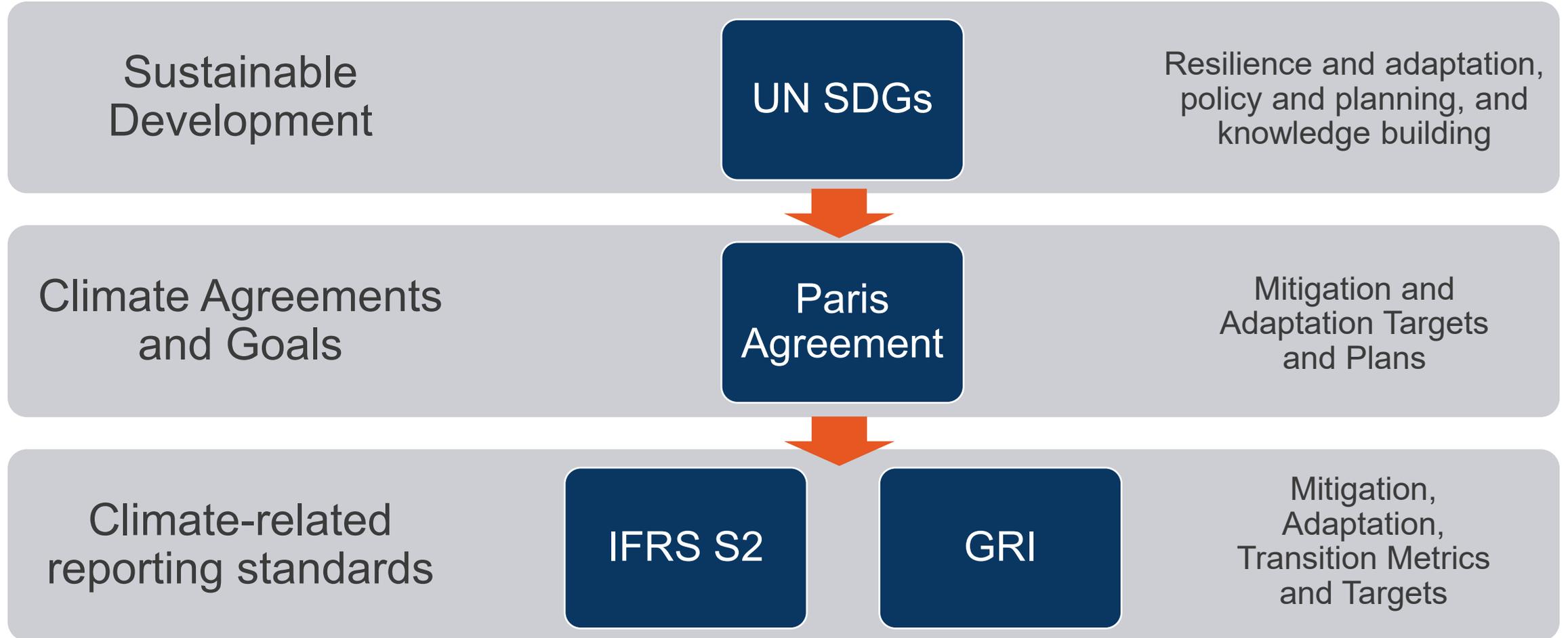
Application Guidance

Metrics and Targets
AG100-105
p.95-97

Basis for Conclusions

Metrics and Targets
BC63
p.196

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 / Policy Activities– e.g., transition plans and GHG emissions
Global Peaking (Article 4)			
Mitigation (Article 4)			
Adaptation (Article 7)			Own operations / Policy Activities – 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

Other Metrics for Climate-related Policy Activities

Analysis

- CP responses called for public sector guidance given broad reaching impact and responsibility of governments
- However, international best practice metrics to be developed / developing
- SRG advised to consider additional guidance to support preparers and to avoid greenwashing / advertising

Recommendation

- Require entities to disclose other metrics
- Potential sources:
 - Established policy measures
 - External guidance / methodologies
 - Other peer metrics or stakeholder input

Other Metrics for Climate-related Policy Activities

Core Text

Metrics and Targets
Paragraph 42(b)
p.41

Application Guidance

Metrics and Targets
AG106-112
p.98-99

Basis for Conclusions

Metrics and Targets
BC64-65
p.196

GHG Methodology for Own Operations

Analysis

- GHG Inventory methodologies:
 - Organizations (GHG Protocol Corporate Standard, ISO 14064)
 - Jurisdictions (UNFCCC IPCC Guidelines, GHG Protocol for Cities)
- GHG Protocol Corporate Standard
 - Provides information that can be used to effect strategy to manage and reduce GHG emissions across the entity's value chain
 - Also relevant for other organizations such as NGOs, government agencies and universities

Recommendation

- Rebuttable presumption to use GHG Protocol Corporate Accounting and Reporting Standard
- Otherwise, disclose methodology and rationale

GHG Methodology for Own Operations

Core Text

Metrics and Targets
Paragraphs 33(a), 40
p.32-35,38-40

Application Guidance

Metrics and Targets
AG48-89
p.67-86

Basis for Conclusions

Metrics and Targets
BC57-60
p.194-195

GHG Protocol: Scopes 1, 2, and 3

Scope 1

Direct emissions from owned or controlled sources

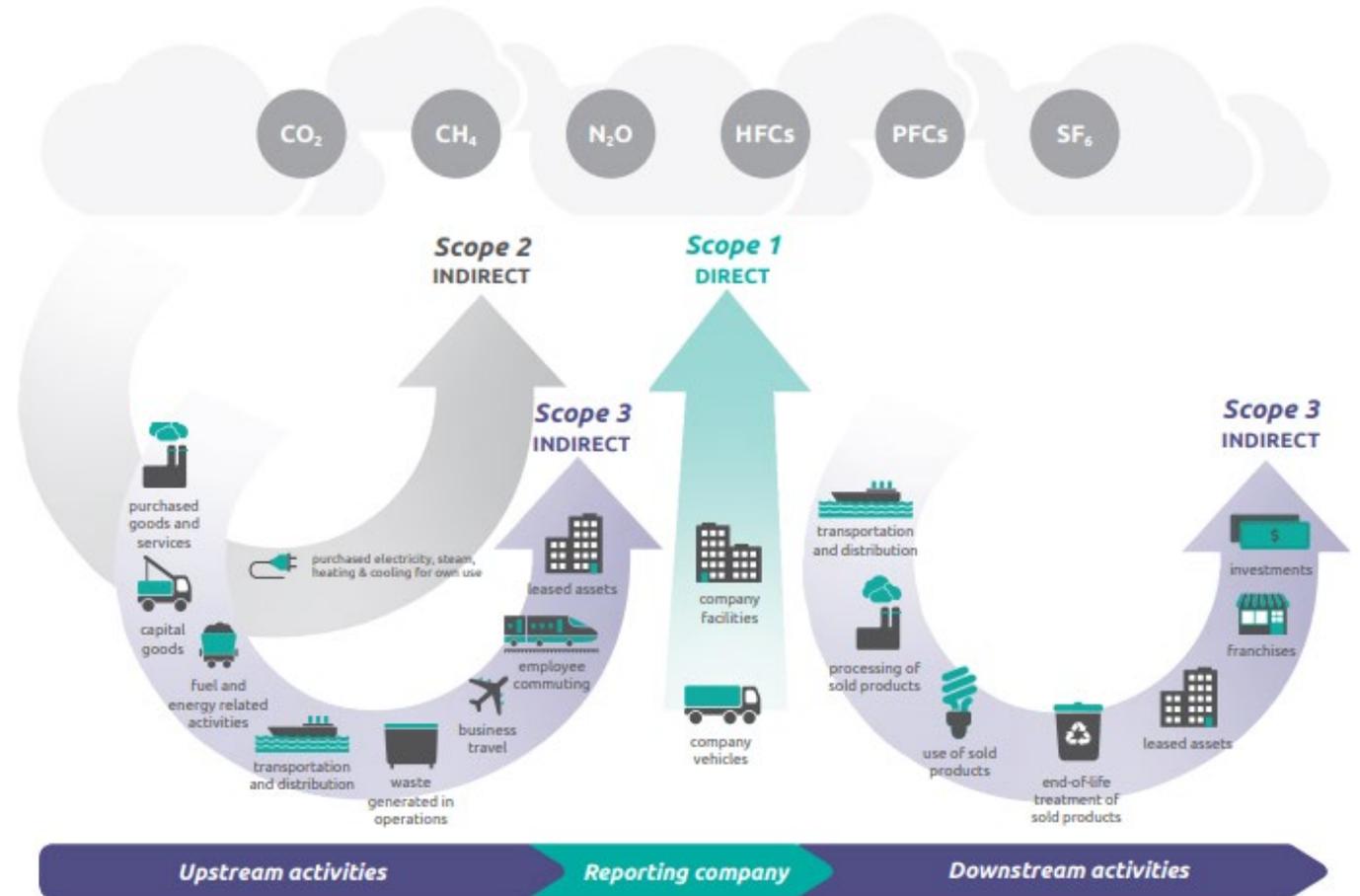
Scope 2

Indirect emissions from the generation of purchased energy

Scope 3

All indirect GHG emissions that occur in the value chain of the entity

Figure [1.1] Overview of GHG Protocol scopes and emissions across the value chain



GHG Protocol: Scope 3 Categories

The GHG Protocol Scope 3 Standard categorizes Scope 3 emissions into 15 categories:

Upstream Scope 3 Emissions

1. Purchased goods and services
2. Capital goods
3. Fuel- and energy-related activities (not included in scope 1 or scope 2)
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets

Downstream Scope 3 Emissions

9. Downstream transportation and distribution
10. Processing of sold products
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
14. Franchises
15. Investments

Own Operations: Scope 3 Reporting

Analysis

- IFRS S2 requires disclosure of an entity's scope 3 GHG emissions, in addition to scopes 1 and 2
- Challenges in scope 3 reporting in both private and public sectors
 - External data collection pose concerns on data quality and confidentiality
 - Despite the challenges, regulators around the world are moving towards requiring scope 3 reporting from the private sector
- In the public sector, some jurisdictions have required scope 3 reporting to some extent
 - UK and New Zealand as examples
 - To disclose mandated and material scope 3 categories

Recommendation

- Require disclosure on material scope 3 categories from own operations
- Additional guidance on assessing Scope 3 material categories

Own Operations: Scope 3 Reporting

Core Text

Metrics and Targets
Paragraphs 33(a)(vi)
p.34-35

Application Guidance

Metrics and Targets
AG62-89
p.75-86

Basis for Conclusions

Metrics and Targets
BC58-60
p.194-195

Industry-based Metrics

SASB Standards

Industry-specific, sustainability-related disclosure topics for 77 industries across 11 sectors, such as:

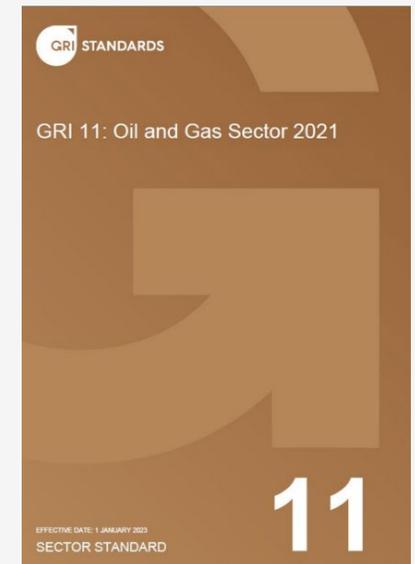
- Electric Utilities & Power Generators
- Health Care Delivery
- Telecommunication Services
- Rail Transportation
- Road Transportation
- Forestry Management



GRI Sector Standards

Early stages of developing metrics for certain sectors, such as:

- Oil & Gas
- Coal
- Agriculture
- Aquaculture and Fishing



Own Operations: Industry-based Metrics

Analysis

- IFRS S2 requires industries to refer to its Industry-based Guidance, which was derived from the SASB Standards
- There is no existing public sector equivalent guidance that provides specific disclosure topics and metrics for entities of different functions
 - However, the COFOG could provide a useful framework for the future development of such guidance
- Certain functions within public sector entities could benefit from guidance provided by both SASB and GRI sector standards

Recommendation

- Entities to refer to the SASB and GRI sector standards as optional references

Own Operations: Industry-based Metrics

Core text

Metrics and Targets
Paragraph 36
p.37

Appendix B

General
Requirements
Paragraphs B17
p.107

Basis for Conclusions

General
Requirements
Paragraph BC63
p.199

Internal Carbon Price

Examples of terminologies and methodologies on placing a monetary value on GHG externalities:

Internal Carbon Pricing

Marginal Abatement Cost

Social Cost of GHG

Shadow Price of Carbon

Internal Carbon Pricing

- A commonly used terminology, also used by IFRS S2
- Emphasis on “internal”
 - An internal tool used for internal decision making
 - Different from the market price of carbon (e.g. emissions trading scheme)

Internal Carbon Price

Analysis

- Wide usage of the term “internal carbon price”
 - Despite varying terminologies and methodologies
- Internal carbon pricing as a key tool in informing policy decisions
- While the primary focus remains on climate-related policy activities, internal carbon pricing is also used by public sector entities in their own operations

Recommendation

- Align the internal carbon price definition with IFRS S2
- Additional guidance on internal carbon pricing in a public sector entity’s own operations
- Additional requirement on internal carbon pricing in strategy for climate-related policy activities

Internal Carbon Price

Core Text

Definitions
Paragraph 6
p.9

Strategy – Policy
Paragraph 24(c)(iii)
p.27

Metrics and Targets –
Own Operations
Paragraph 33(e), p.36

Application Guidance

Strategy
AG37(d), AG40
p.62, 63

Metrics and Targets
AG92-93
p.92-93

Basis for Conclusions

Metrics and Targets
BC62
p.195

Transition – March Breakout Group Discussions

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

Transition

Analysis

- SRG support for alignment with IFRS S2 transition
 - Urgency of climate crisis
 - Capital markets significance and demand for information
 - Public sector leadership
 - Availability of data in public sector

Recommendation

In Year 1:

- Exclude scope 3 emissions (own ops)
- Exclude changes in emissions from existing climate-related policies
- Exclude comparative information
- Report within 9 months of adoption

Transition

Core Text

Transition
Paragraphs 46-48
p.42-43

Basis for Conclusions

Transition
BC56
p.197

Appendix B: General Requirements

Topics	Recommendation	References
Sources of Guidance – points to SASB, CDSB, others	Optional Climate Reference	B16-B21
Location of Disclosures – in GPFRs or cross-reference	Align with S1	B22-B25
Timing of Reporting – at the same time as FS	Align with S1	B26-B31
Comparative information - required for all amounts	Align with S1	B32-B33
Statement of Compliance – explicit and unreserved statement	Align with S1	B34-B35
Judgments – enable users to understand judgments	Align with S1	B36-B37
Uncertainty – identify amounts with high level of measurement uncertainty	Align with S1	B38-B42
Errors – correct prior period errors by restating comparative	Align with S1	B43-B46

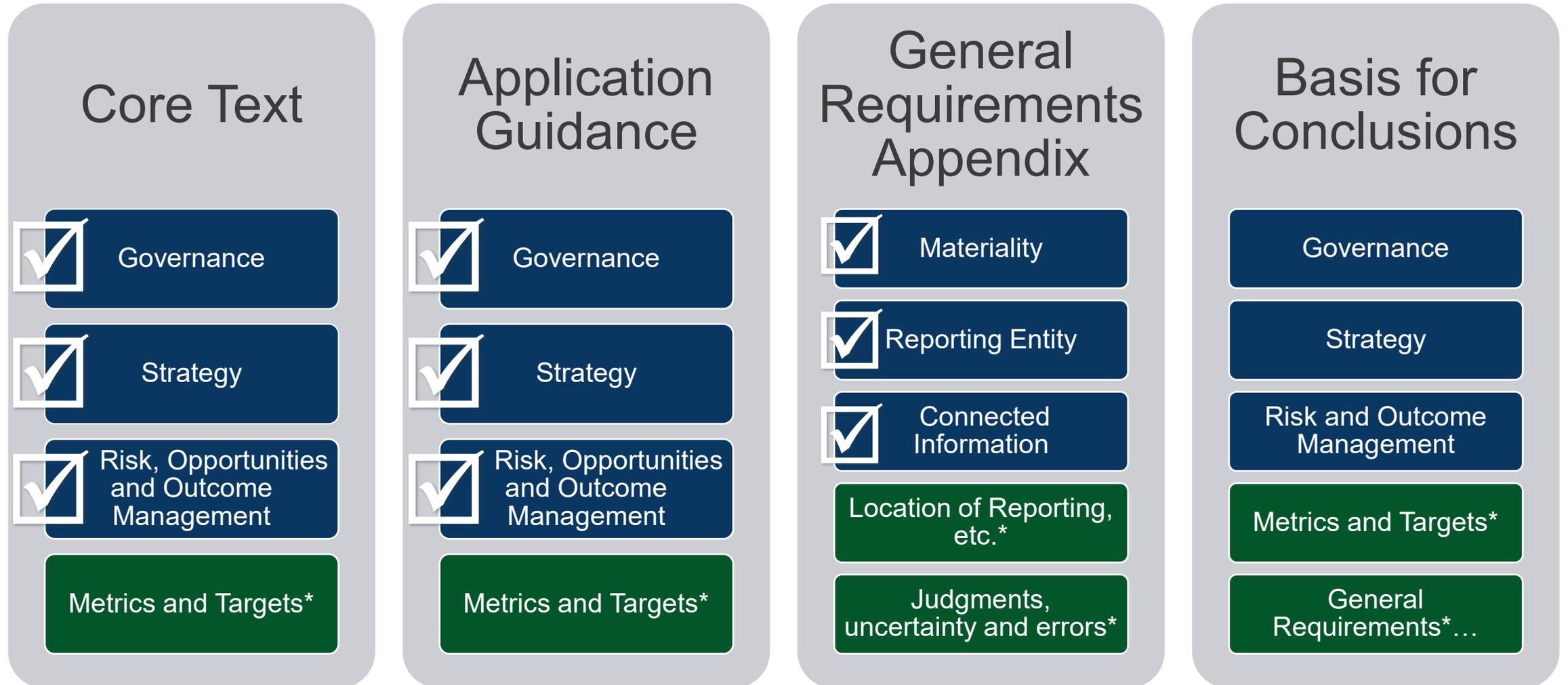
Other comments

General questions for consideration:

- a) Substantive points related to the drafted principles that require further articulation;
- b) Own operations: Any additional public sector-specific guidance needed in applying S2; and
- c) Policy activities: Any additional public sector guidance needed for an entity's policy activities

Please be prepared to articulate the details of your proposal and rationale.

Climate-related Disclosures Standard Structure



*New sections reviewed in June