

**Meeting:** IPSASB Consultative Advisory Group  
**Meeting Location:** Toronto, Canada  
**Meeting Date:** June 24, 2024

# Agenda Item 4

For:  
 Approval  
 Discussion  
 Information

## SUSTAINABILITY REPORTING – CLIMATE-RELATED DISCLOSURES

<b>Project summary</b>	The project objective is to develop a global baseline for consistent and comparable public sector climate-related disclosures to meet the needs of users of public sector reports (service recipients and resource providers) and ensure better transparency, accountability and enable improved decision-making.	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Discussion Items</b>	<a href="#">Climate-related Disclosures - Project Update</a>	<a href="#">4.1.1</a>
	<a href="#">Transitional Provisions</a>	<a href="#">4.1.2</a>
<b>Other supporting items</b>	<a href="#">Sustainability: Climate-related Disclosures Due Process Checklist</a>	<a href="#">4.2.1</a>

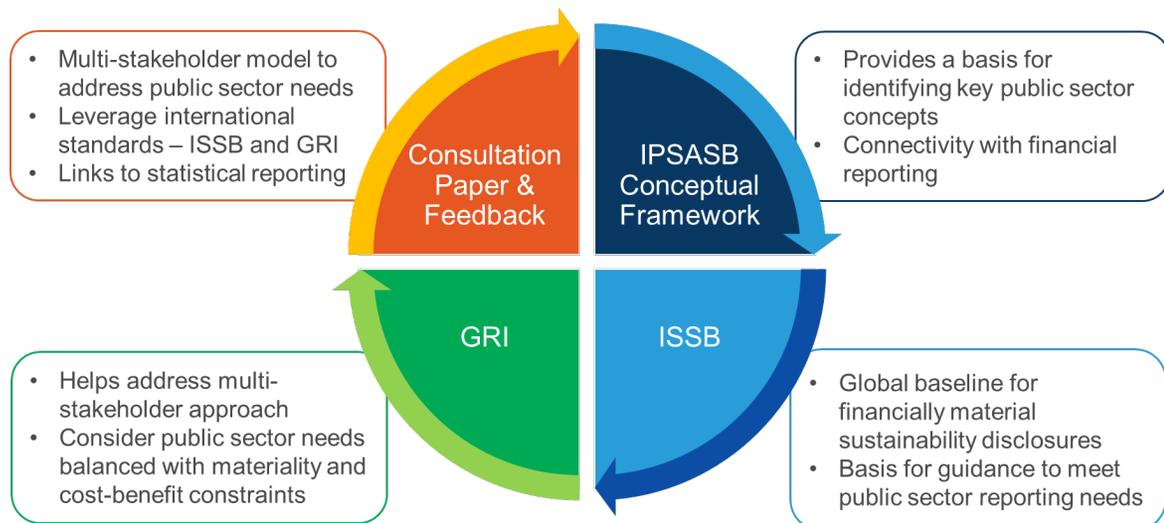
## Climate-related Disclosures - Project Update

### Purpose

1. This paper is for informational purposes only to provide the CAG with an update on the Climate-related disclosures project as there has been significant progress in the past year. Staff will provide an overview and presentation at the June meeting.

### Background

2. In January 2022, the World Bank published '[Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework](#)' which called on the IPSASB to lead a consultative process to gain support for developing global public sector-specific sustainability reporting guidance.
3. In May 2022, the IPSASB issued a Consultation Paper (CP), *Advancing Public Sector Sustainability Reporting* to evaluate the demand from stakeholders for such guidance, as well as the degree of support for the IPSASB's involvement in the process, the priority topic areas for guidance, and how this might be approached. The comment period closed September 9, 2022. A total of 70 written responses were received.
4. At the December 2022 meeting, the IPSASB reviewed the analysis of feedback and issues raised by stakeholders in response to the CP. Based on this analysis and input from the CAG, the IPSASB decided to commence scoping and research work on potential public sector sustainability reporting projects to explore the key issues before launching into a new project.
5. In March 2023, the IPSASB agreed the scope of the framework and approach to develop sustainability reporting standards. Specifically, for climate, the standard development would take IFRS S2 *Climate-related disclosures* as the base starting point and layer on guidance from GRI Topic Standards to address the multistakeholder needs of the public sector similar to the IPSASB's well-established [Process for Reviewing and Modifying IASB Documents](#). Finally, other international guidance such as SDGs, NDCs, and statistical guidance will also be considered.



6. In light of the urgency of this issue and given the strong support from constituents, the IPSASB decided to start with climate as the first project of the public sector sustainability reporting work program and approved the project brief in June 2023.

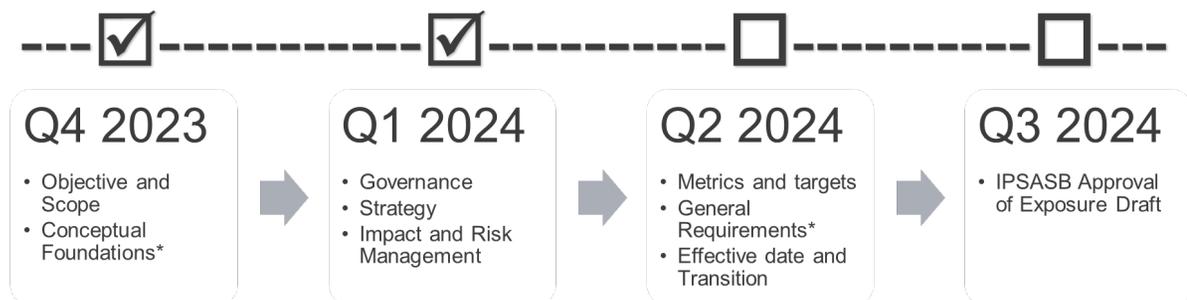
7. Advice from CAG members has been valuable and has impacted the development of the sustainability initiative. Specifically:
  - (a) In March 2022, CAG members were asked to provide the IPSASB advice to consider as it prepared to finalize the Consultation Paper (CP), *Advancing Public Sector Sustainability Reporting*. See [March 2022 Report Back](#).
  - (b) In June 2022, CAG members shared feedback on each of the preliminary views and specific matters for comment in the CP. See [June 2022 Report Back](#).
  - (c) In December 2022, CAG members shared their views on the key issues identified through consultation and outreach on the CP including the scope and objectives of guidance, the sustainability expertise needed for the project, the application of the IPSASB Conceptual Framework, priority of topics, collaboration with other international standard setters, and the status of guidance. See [December 2022 Report Back](#).
  - (d) In June 2023, CAG members provided their views on the key issues to be addressed as part of the Climate-related Disclosures project brief. See [June 2023 Report Back](#).
  - (e) In June 2023, CAG members also completed a survey outlining the current status of sustainability reporting in their jurisdictions. Results were discussed with the CAG in December 2023 and CAG members provided additional updates on any changes they have seen since the survey submission.

*Sustainability Reference Group (SRG) and Climate Topic Working Group (CTWG)*

8. Given that climate is a technically complex and voluminous topic and there are different levels of sustainability-related experience and expertise within the IPSASB, constituents raised concerns in response to the CP about the IPSASB’s expertise in the subject matter, in spite of support for IPSASB’s well established experience in setting standards for the public sector.
9. In the second half of 2023, the IPSASB established the SRG and CTWG. These groups, made up of public sector sustainability and climate experts, have provided the IPSASB with excellent advice to support board decisions and advance the project.

*Development of Climate-related Disclosures Exposure Draft*

10. Beginning Q4 2023, the Board has begun discussing key issues on the draft Climate-related Disclosures standard and reviewing the draft ED. The project timeline aims for approval of the draft ED in September 2024 and the final standard approved by the end of 2025.
11. Following is an overview and timeline of topics and decisions made on the draft 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.

12. Since December 2023, the Board has developed a draft ED based on the following foundational principles:

- (a) **Entity’s Own Operations vs. Policy Activities:** The IPSASB established that as it relates to climate disclosures, an entity’s activities may be categorized into two main activities: an entity’s own operations and its policy activities.
- (i) *Own Operations* are the day-to-day activities of an entity, other than policy activities, such as the operations of a hospital or school. All entities would report on their own operations. The IPSASB decided that guidance aligned with IFRS S2 for an entity’s own operations would meet the core information needs of primary users of public sector climate-related disclosures to provide information regarding the entity’s long term fiscal sustainability, including efficient delivery of services, that will enable better decision making and accountability.
- (ii) *Policy Activities* are any type of intervention taken or mandated by an entity using its sovereign powers that is designed to influence the decisions or behaviors of other entities or individuals. This may include laws, regulation, taxes, charges, subsidies, and incentives. The IPSASB decided that this ability as a result of its sovereign powers is a key characteristic of the public sector that requires disclosures not required for the private sector. Therefore, the draft ED provides additional principles and application guidance for disclosures relating to climate-related policy activities and the outcomes from those activities.



- (b) **Materiality:** The IPSASB decided that the definition of material information from the IPSASB Conceptual Framework is appropriate for climate-related disclosures given:
- (i) *The Primary Users* of public sector general purpose financial reports, being service recipients and resource providers according to the CF, are consistent with the user of public sector climate-related disclosures;
- (ii) *Objectives* of reporting are to support users in evaluating information for decision-making and accountability purposes which equally applies to sustainability because of the need for accountability from a public interest perspective; and

- (iii) *Connectivity* between financial and sustainability reporting is supported by aligning definitions of materiality across suites of reporting standards.
13. After the June 2024 meeting, where it will review drafting for Metrics and Targets, General requirements and Transitional provisions, the Board will have discussed all elements of the ED. The IPSASB will look to approve the ED at its September 2024 meeting in Brussels.

## Transition

### Background

1. IFRS S2 provides transition relief as follows:
  - a) Entities are not required to disclose comparative information in the first annual reporting period;
  - b) In the first annual reporting period, entities are permitted to use a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), and report climate-related disclosures after it publishes its financial statements; and
  - c) In the first annual reporting period, entities are not required to disclose Scope 3 greenhouse gas emissions, including additional information on financed emissions for entities that participate in asset management, commercial banking, or insurance activities.
2. IFRS S1 also provides relief on the timing of reporting for the first year and allows reporting to be up to nine months from the end of the annual reporting period which the entity first applies the standard.
3. Staff considered various options for transitional provisions, ranging from:
  - a) **Private sector aligned:** Exclude comparative information and Scope 3 GHG emissions in the first annual reporting period;
  - b) **Extended private sector transition:** Exclude comparative information and Scope 3 GHG emissions in the first three annual reporting periods; and
  - c) **Public sector specific transition:** A phase-based approach to report select sections (e.g. governance, strategy, risk management and/or metrics and targets), at a minimum, over the first three annual reporting periods.
4. These were discussed with IPSASB Members, technical advisers, and observers at the March 2024 IPSASB meeting. Initial views and feedback from the breakout group discussions were mixed as participants could see pros and cons to the various approaches. However, key messages from the report back were:
  - a) Support for a pragmatic approach in a public sector specific transition: the IPSASB acknowledges the challenge it will be for preparers to take on sustainability reporting and more time may be needed, however also noted that many public sector entities have already developed climate-related strategies and calculated GHG emissions, and are better prepared for disclosures than private sector entities;
  - b) Support for a shorter period for transitional provision: Considering the urgency of topic and that the IPSASB acknowledge it cannot mandate an effective date such that different jurisdictions will have various pathways to sustainability reporting, it may be appropriate and justified to provide a shorter period for transition; and
  - c) Consider difference between own operations and policy activities in transitional provisions: the IPSASB recommended to consider differentiating the transitional provisions for an entity's own operations and those for climate-related policy activities.
5. Staff also discussed transitional provisions with the SRG. The SRG supported alignment with private sector approach, due to increasing expectation from stakeholders and the role of public sector entities in leading climate-related disclosures and the expectation that many public sector entities already

collect and report this data for its climate targets and commitments. In fact, there was a suggestion from the SRG to consider only providing transitional relief in the form of comparative information.

6. Therefore, staff recommend the following:

- a) Aligning transitional provisions for disclosures with the IFRS S2, in the first annual reporting period to:
  - (i) Exclude comparative information;
  - (ii) Exclude Scope 3 disclosures for own operations; and
  - (iii) Report climate-related disclosures after publication of the entity's financial statements; and
- b) Providing relief for climate-related policy activity disclosures to allow entities to exclude reporting on the changes in GHG emissions as a result of climate-related policies that preceded the adoption date of the Standard.

**Questions for CAG Members:**

**Are there other considerations CAG members think IPSASB should take into account to support transition and implementation of the IPSASB SRS X, Climate-related disclosures?**

## IPSASB DUE PROCESS CHECKLIST

Project: *Sustainability: Climate-Related Disclosures*

#	Due Process Requirement	Yes/No	Comments
<b>A. Project Brief</b>			
A1.	A proposal for the project (project brief) has been prepared, that highlights key issues the project seeks to address.	Yes	The project brief was discussed and approved by the IPSASB at its June 2023 meeting. All issues the project seeks to address were considered. See <a href="#">Agenda Item 8 – June 2023</a> .
A2.	The IPSASB has approved the project in a public meeting.	Yes	The project brief was approved in June 2023. See Section 8 of the <a href="#">June 2023 minutes</a> .
A3.	The IPSASB CAG has been consulted on the project brief.	N/A	The IPSASB CAG discussed significant issues during the development of the project brief in June 2023 (see the <a href="#">Agenda Item 5 – June 2023</a> ).
<b>B. Development of Proposed International Standard</b>			
B1.	The IPSASB has considered whether to issue a consultation paper or undertake other outreach activities to solicit views on matters under consideration from constituents.	Yes	The IPSASB exposed the <a href="#">Consultation Paper, Advancing Public Sector Sustainability Reporting</a> , in May 2022.  This CP proposed building off existing private sector guidance where appropriate. The strong support from respondents shaped the Climate-Related Disclosures project.
B2.	If comments have been received through a consultation paper or other public forum, they have been considered in the same manner as comments received on an exposure draft.	Yes	Yes – responses to the <a href="#">Consultation Paper, Advancing Public Sector Sustainability Reporting</a> , were considered at the December 2022 meeting. See Section 7 of the <a href="#">December 2022 minutes</a> .
B3.	The IPSASB CAG has been consulted on significant issues during the development of the exposure draft.	In Process	<a href="#">Agenda Item 5 from June 2023</a> and <a href="#">Agenda Item 7 from December 2023</a> informed the development of the ED by surveying CAG members regarding the status of climate disclosures in their jurisdiction.
B4.	The IPSASB has approved the issue of the exposure draft.	TBD	[Pending]
<b>C. Public Exposure</b>			

#	Due Process Requirement	Yes/No	Comments
C1.	The approved exposure draft has been posted to the IPSAS website for public comment for an appropriate period.	TBD	[Pending]
C2.	Comments on the exposure draft have been posted to the IPSASB website after the end of the exposure period.	TBD	[Pending]
<b><i>D. Consideration of Respondents' Comments on an Exposure Draft</i></b>			
D1.	Staff have provided the IPSASB, as part of the public agenda papers, with an analysis summarizing the significant issues raised by respondents, outlined their proposed disposition, and, as appropriate, explained why significant changes recommended by respondents have or have not been accepted.	TBD	[Pending]
D2.	The IPSASB has deliberated significant matters raised in the comment letters, and significant decisions have been minuted.	TBD	[Pending]
D3.	The IPSASB has considered whether there are any issues raised by respondents, in addition to those summarized by Staff, that it considers should have been discussed by the IPSASB.	TBD	[Pending]
D4.	The IPSASB CAG has been consulted on significant issues raised by respondents to the exposure draft and the IPSASB's related responses.	TBD	[Pending]

#	Due Process Requirement	Yes/No	Comments
D5.	Significant comments received through consultation with the IPSASB CAG are brought to the IPSASB’s attention. Staff have reported back to the IPSASB CAG the results of the IPSASB’s deliberations on those comments received from the CAG.	TBD	[Pending]
D6.	The IPSASB has assessed whether there has been substantial change to the exposed document such that re-exposure is necessary.	TBD	[Pending]
D7.	If applicable, the IPSASB has voted on a resolution in favor of re-exposure.	TBD	[Pending]
D8.	The basis of the IPSASB’s decision with respect to re-exposure has been minuted.	TBD	[Pending]
D9.	If the exposure draft has been re-exposed, the explanatory memorandum accompanying the re-exposure draft explained the reasoning for re-exposure and the changes made as a result of the earlier exposure.	TBD	[Pending]
<b><i>E. Approval</i></b>			
E1.	The Program and Technical Director has confirmed to the IPSASB that due process has been followed effectively the final standard is approved for issuance.	TBD	[Pending]

#	Due Process Requirement	Yes/No	Comments
E2.	The IPSASB has approved the final revised content of the exposed standard in accordance with its Terms of Reference.	TBD	[Pending]
E3.	If applicable, the IPSASB has set an effective date for application of the final standard.	TBD	[Pending]
E4.	The IPSASB's basis for conclusions has been prepared and included in the final standard.	TBD	[Pending]