**To: International Public Sector Accounting Standards Board (IPSASB).**

**Subject: Response to IPSASB SRS Exposure Draft 1, Climate-related Disclosures**

February 28, 2025

Dear IPSASB,

The Global Reporting Initiative (GRI) welcomes the publication of the exposure draft Climate-related Disclosures as a step towards improving transparency on the public sector's emissions and climate-related risks and opportunities. Given the significance of the public sector in most economies, and the commitment of almost all governments under the Paris Agreement to reduce their greenhouse gas (GHG) emissions and mitigate climate change, assisting public sector organizations to disclose relevant information is a priority.

GRI is an independent non-profit organization that has pioneered sustainability reporting since 1997. GRI operates in the public interest and serves a large pool of constituents – investors, organization's that prepare sustainability reports, civil society, labor unions, and consulting firms. GRI Standards enable organizations to report information about the most significant impacts of their activities and business relationships on the economy, environment, and people, including those related to climate change. As part of our work, we have contributed to IPSASB's climate project and continue to support this initiative, offering our comments in the spirit of cooperation.

GRI believes that the exposure draft does not provide a basis for organizations to report on their most significant impacts, does not reflect the best currently available standards, and its disclosure requirements do not align with those for private sector entities. GRI Standards require organizations to report on their most significant impacts, while IFRS Standards focus primarily on information about sustainability-related risks and opportunities that address the common needs of investors, though other stakeholders may also use this information. Used together, the GRI and IFRS S Standards facilitate better reporting.

The proposed standard is problematic because it focuses on how climate change affects an entity's financial condition without considering its much broader impacts on society. Nearly all national governments have endorsed the Sustainable Development Goals, which create direct accountability for government agencies to properly report on significant impacts, not just their financial risks and opportunities. Most nations have also ratified the Paris Agreement, committing themselves to greenhouse gas reductions through Nationally Determined Contributions. GRI believes that the proposed approach in the exposure draft is inconsistent with the IPSASB's Conceptual Framework which applies to General Purpose Financial Reports and RPG 3 (paragraphs 17-19), which acknowledges the relevance of reporting beyond the financial effects on the reporting entity. For instance, BC 8-9 conflates sustainability reporting with financial reporting – while they are inter-related - the ongoing financial viability of a public sector organization is quite different from the impact the organization has on the environment and people consistent with how governments generally consider sustainable development.

Similarly, the exposure draft distinguishes between the financial risks and opportunities to public sector organizations, and the outcomes resulting from their policies and regulations. Regarding the disclosure requirements for the organization's activities, the exposure draft aligns exclusively with IFRS S1 and S2 by only focusing on financial risks and opportunities for the organization. GRI believes this approach is inadequate as it fails to account for the most significant impacts of reporting organizations, such as those related to a just transition.

The purpose of public sector organizations (according to IPSASB's Guidance for Respondents on p3 of the Exposure Draft is to provide goods, services and policy advice to people to benefit the public and/or distribute income and wealth, not to return value to owners. It is, therefore, fundamental to approach their climate-related disclosures from the perspective of their impacts on society rather than just their financial performance.

GRI strongly recommends expanding the scope of the proposed standard to include the impact perspective and align with GRI Standards. For instance, the revised GRI Climate Change Standard, expected to be approved in March 2025, includes disclosures relevant to the public sector, which are not in other standards (see this table for a comparison). The GRI Standard and IFRS S2 follow the GHG Protocol to account for GHG emissions. However, under the current exposure draft, which emphasizes financial risks and opportunities, GHG emissions will only be reported if they constitute a financial risk or opportunity to an entity. We believe that public sector organizations should disclose significant impacts beyond financial effects on the organization. This could include metrics to measure how the organization's strategy aligns with just transition principles, such as fair labor practices and community impacts, or requirements to disclose the quality of carbon credits used in public policy programs. This is consistent with the objective of most governmental organizations to contribute to the well-being of its citizens.

On the impacts that public sector organizations can have through policies and regulations, the exposure draft defines such policies as those with a primary objective to achieve climate-related outcomes. GRI is concerned that this will leave out significant public programs, such as energy, housing and transport, which prevents meaningful reporting by most public sector organizations. We recommend changing the definition to include any programs that have significant impacts on climate, whether that is their primary objective or not.

As private organizations face growing demands to disclose their climate-related impacts, public sector transparency is expected to follow. GRI believes the current exposure draft falls short of aligning public and private sector reporting and reporting information that is in the public interest.

We remain available to assist IPSASB in the future development of their proposed reporting requirements on climate change. In an annex, we respond to the Specific Matters for Comments, repeating some of the arguments in this letter.

With best regards,

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**Annex**

**GRI Response to IPSASB "Specific Matters for Comments" in SRS Exposure Draft 1, Climate-related Disclosures**

**Specific Matter for Comment 1: Public sector operations and regulatory role (paragraphs 1-4)**

GRI agrees with the separation of the impacts (what the exposure draft calls outcomes) that come from the operations of the organization and those that come from the policies and regulations they implement. From the reporters' point of view, the processes for collecting information and the degree of control over the impacts are different. From the reader's point of view, these types of impacts have different meanings, so it is preferable to separate them.

GRI considers that the Alternative View correctly asserts that the definition of climate-related policies is too restrictive. This Alternative View provides a more coherent standard, although subject to serious limitations, as expressed in our comments below.

**Specific Matter for Comment 2: Own operations (Appendix A1: Application Guidance – Own Operations)**

GRI believes it is inappropriate for public sector organizations to report on their own operations exclusively with IFRS S1 and S2, as this limits the scope of the exposure draft to reporting on those activities that represent a financial risk or opportunity to the organization.

GRI supports a global system where public and private organizations report their impacts on the economy, environment and people with equal importance. By aligning exclusively with IFRS S1 and IFRS S2, the exposure draft fails to provide information to support the purpose of public sector organizations to improve outcomes for the economy, environment, and people. According to the 2024 KPMG Survey of Sustainability Reporting 2024, over 70% of the world's largest corporations report on their impacts using GRI Standards and cover more than 14,000 corporate and non-corporate GRI reporters worldwide, including organizations at all levels of government, such as the Ministry of Public Works of The Netherlands, the Government of Western Australia or the municipality of Medellín. Aligning public sector and private sector sustainability reporting will assist the recruitment of suitability skilled staff.

Defining the climate disclosures for the public sector in terms of financial risks and opportunities is particularly inadequate. While private corporations generate value for their shareholders, public sector organizations justify their existence through policies or by delivering goods and services to the population. Their value can only be measured in terms of their net impact on society, making it particularly important for them to report their climate-related impacts in their own right.

Almost all governments are signatories of the Paris Agreement and are therefore committed to delivering a just transition to a low carbon economy. By reporting exclusively on the financial risks and opportunities of climate change, governments will fail to capture the consequences that their actions have on the just transition.

GRI recommends the adoption and use of the upcoming GRI Standard on Climate Change and Just Transition. This will allow public sector organizations to provide a more complete picture of the impacts in line with stakeholders' expectations and the global system developed for private organizations.

GRI is of the view that public sector organizations should disclose how the organization's strategy aligns with just transition principles, such as fair labor practices and community impacts, as captured in the upcoming GRI Standard on Climate Change and Just Transition.

GRI supports aligning the reporting on emissions with the GHG Protocol.

**Specific Matter for Comment 3: Scope of Public Policy Programs (paragraph 3 and AG2.4–AG2.6)**

GRI is concerned that limiting the scope of public policy programs to those with a primary objective of achieving climate-related outcomes is too narrow and will prevent meaningful reporting on this topic by most public sector organizations. The proposed scope will leave out all programs that have as a primary objective, for example, the provision of energy, regulation of transport and housing, and urban planning, even if policies in those areas usually have a significant impact on climate change. As governments worldwide increasingly integrate climate concerns into various policy areas to meet Paris Agreement commitments, the exposure draft's approach excludes reporting that supports relevant laws and regulations.

The proposed scope will also misalign the reporting requirements of public sector organizations with private companies. Many private organizations, such as those in energy, transport, and construction, already report the climate-related impacts they contribute through their business relationships (Scope 3 emissions). The current exposure draft will leave public sector organizations in those sectors under-reporting their impacts, compared with the most significant private corporations, unless these public sector organizations also report using GRI Standards.

GRI strongly recommends changing the definition of public policies to include those that are not primarily focused on climate but still have a significant impact on it.

**Specific Matter for Comment 4: Public Sector-Specific Definitions (paragraph 7)**

GRI refers to the comments made above under SMC 3.

**Specific Matter for Comment 5: Strategy for Climate-related Public Policy Programs (paragraphs 12 and AG2.24–AG2.31)**

GRI believes that the focus of the requirements in 12.c on the financial implications of climate-related public policy programs is insufficient and that public sector organizations should disclose the impacts of those programs on the economy, environment, and people. Public policy programs can have wide climate-related impacts that would not be included in financial implications. Since taxpayers often fund these programs, disclosures on significant impacts using GRI Standards serve the public interest and meet stakeholder expectations.

**Specific Matter for Comment 6: Metrics and Targets for Climate-related Public Policy Programs (paragraphs 26–27 and AG2.34–AG2.44)**

GRI recommends that public sector organizations use the upcoming GRI Standard on Climate Change and Just Transition for reporting. This Standard includes metrics for worker transitions and community agreements as well as requirements for disclosure of the quality of carbon credits for offsets (additionality, permanence, leakage avoidance) used in public policy programs.

**Specific Matter for Comment 7: Conceptual foundations (paragraphs B2–B15)**

The IPSASB Conceptual Framework does not provide an adequate basis for climate change-related reporting. It provides concepts for financial reporting but does not cover the impacts of an entity on the economy, environment, and society, which is central to the purpose of public sector organizations. As noted in paragraph 2.4 of the Framework:

> "Governments and independent agencies also issue reports on the need for, and sustainability of, existing service delivery initiatives and anticipated economic conditions and changes in the jurisdiction's demographics over the medium and longer term that will influence budgets and service delivery needs in the future..."

Accordingly, we believe that while the conceptual foundations are sound for reporting on an entity's risks and opportunities arising from climate change, impacts are beyond the scope of the general-purpose financial report. In this regard, it would be appropriate for IPSASB to recommend the use of the GRI Standard on climate change alongside its proposed standards. While the IPSASB Conceptual Framework prevents incorporating GRI disclosures into their own Standards, RPG 3 paras 17-19 address outcomes as being "impacts that affect society". It is important to note that, unlike the IFRS Sustainability Disclosure Standards, GRI Standards are applicable to all organizations with general-purpose reporting obligations.

**Specific Matter for Comment 8: General requirements (paragraphs B16–B46)**

GRI reiterates its comment under SMC 2 that aligning the exposure draft exclusively with IFRS S1 and S2 is inadequate, and under SMC 7 that IPSASB's conceptual framework is not a good basis for climate-related reporting.

GRI agrees with the need to align climate-related information with other statutory and regulated reporting, including reporting on the same period and for the same group of entities covered in its financial reporting.

**Specific Matter for Comment 9: Transition**

GRI has no comment on this matter.