28 February 2025

International Public Sector Accounting Standards Board (IPSASB)

Submitted via: IPSASB Portal

Proposed International Public Sector Accounting Standards Board Sustainability Reporting Standard – Exposure Draft 1: Climate-related Disclosures.

MSCI[1] welcomes the opportunity to comment on the Proposed International Public Sector Accounting Standards Board (IPSASB) Sustainability Reporting Standard – Exposure Draft 1: Climate-related Disclosures ("Exposure Draft"). As a leading provider of sustainability and climate data and analytics to the global financial industry, MSCI has collected climate and sustainability-related disclosures from thousands of companies globally for over two decades and developed tools to assist financial institutions in analyzing climate and sustainability risks, opportunities, and impacts within their investment and lending portfolios.

MSCI supports the publication by the IPSASB – Exposure Draft 1 on Climate-related Disclosures that reflect some key elements of globally recognized climate-related risks and opportunities disclosure standards.

For the purposes of this submission, we comment in more detail in Annex 1 on those matters where we believe MSCI's expertise and experience to be most relevant. We have the following general comments set out for your kind consideration.

1. **Consistency with international standards -** We believe that aligning public sector climate disclosures with IFRS S1 and S2 is a positive step toward ensuring consistency and comparability across jurisdictions. This alignment will help both public and private sector stakeholders navigate sustainability reporting complexities and make more informed decisions based on standardized climate-related information.

2. **Need for additional guidance -** We recommend that the Exposure Draft include more detailed case studies and best-practice examples to improve feasibility, particularly for smaller public sector entities. Providing clearer guidance on proportionality, relevant metrics, and integration with existing reporting frameworks would help ensure that all entities can effectively implement climate disclosures without excessive reporting burdens.

[1] MSCI ESG Ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc.

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3. **Enhancing public sector regulatory role -** We suggest strengthening the guidance on how public sector climate disclosures relate to regulatory responsibilities and supervisory functions. Clearer definitions of how climate-related programs contribute to public sector oversight would improve transparency, accountability, and the ability of regulatory bodies to incorporate climate considerations into their decision-making processes.

4. **Metrics and scenario analysis improvements -** We recommend encouraging disclosures across all three GHG emissions scopes, particularly Scope 3, to enhance comparability and completeness of reporting. Aligning with widely used standards such as ISSB's cross-industry metrics and the Partnership for Carbon Accounting Financials (PCAF) for financed emissions would improve consistency across disclosures. Additionally, incorporating diverse climate scenarios, including high-temperature pathways, would provide a more comprehensive assessment of long-term climate risks and opportunities.

Please do not hesitate to contact us to discuss our submission.

Yours sincerely,

/s
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Annex 1

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

This Exposure Draft requires a public sector entity to provide disclosures about (i) the climate-related risks and opportunities that are expected to affect its own operations, and (ii) climate-related public policy programs and their outcomes when an entity has responsibility for those programs and their outcomes (see paragraphs 3 and AG2.7–AG2.8).

Do you agree the proposed approach meets the information needs of primary users (see paragraphs 1–4)? If not, what alternative approach would you propose and why?

The Exposure Draft includes an Alternative View on the approach to climate-related public policy programs.

MSCI:

- We support the Exposure Draft's approach in outlining the regulatory role of the public sector, as it appropriately encourages entities to align their climate disclosures to international sustainability standards. This alignment promotes consistency and comparability in sustainability reporting through disclosures by the public sector entities.
- We believe that the proposal to disclose material climate-related risks and opportunities in line with IFRS S1 and S2 is appropriate. This approach would help stakeholders, including the private sector entities to navigate complexities in sustainability reporting and make available useful information for decision-making processes.
- However, we recommend that the Exposure Draft provide more specific guidance, including case studies, examples and factors to enhance the feasibility for climate-related disclosures. This is particularly relevant for Appendix B: General Requirements for Climate-related Disclosures, which explains the materiality, information and disclosure requirements for public sector entities.
- We understand that not all national and especially local authorities report 'financial statements' (i.e., national budgets) to the level of detail required to calculate climate exposures. This could pose as a challenge, particularly for small local authorities, to comply with the proposed reporting requirements.
- For effective implementation of the proposed reporting requirements, we suggest incorporating detailed public sector case studies to outline best practices for climate-related disclosures.

Areas where further clarification is needed

- **Proportionality**: We recommend providing more explicit guidance on the metrics to be reported as public sector entities vary widely in size and capacity, depending on the region and market (developed vs. developing). Smaller public entities, particularly local authorities may find such a generic and overly descriptive approach challenging. As a result, the draft proposal could lead to excessive reporting burdens for small national and local authorities.
- **Higher levels of specificity**: We suggest providing references to best-practices that public sector entities can use to report climate-related risks and opportunities. Additional clarification on which climate-related metrics are most relevant would also be beneficial, such as whether entities should report on the forecasted impact on emissions or address adaptation gaps.
- **Aligning with existing public sector disclosures**: Public sector entities normally publish annual performance or outcomes reports that address service delivery. It would be helpful if these existing performance and service reporting frameworks were to better integrate climate-related disclosures.
    - ➢ Entities should be encouraged to integrate climate-related data and discussions within broader performance or outcome-based reporting, including budget discussions and reporting.
    - ➢ It would be valuable to strengthen the guidance or provide best practice examples to encourage stakeholder engagement, particularly engagement with the private sector, during the climate-relate disclosure process. This would improve transparency and credibility.
- **Public sector's regulatory and supervisory role**: We suggest further strengthening the guidance in the Exposure Draft on the role of public sector entities in regulatory and supervisory functions particularly regarding how climate disclosures might inform those regulatory functions.
    - ➢ Additional detailed guidance on the relationship between regulatory role and climate disclosures should be included under the section "*Addressing the public sector policy and regulatory role*", including on how entities should determine which public policy programs have a primary objective to achieve climate-related outcomes.

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

This Exposure Draft proposes metrics and targets, including (a) the change in greenhouse gas emissions reasonably attributed to climate-related public policy programs and (b) other metrics to measure and monitor performance in relation to climate-related public policy programs.

Do you agree these disclosures meet the information needs of primary users of the report (see paragraph 26)? If not, what alternative approach would you propose and why?

MSCI:

- We support the Exposure Draft's identification of some core metrics linked to climate-related risks and opportunities, focusing on both direct impacts (e.g., greenhouse gas emissions) and indirect influences (e.g., policy-driven climate-related opportunities).
- To ensure comparability in reporting with private sector entities, we recommend public entity reporting on ISSB's cross-industry metrics[2] such as GHG emissions, % of assets and activities vulnerable to climate-related transition/ physical risks/opportunities, carbon taxation and climate-related targets. These cross-industry metrics are critical for assessing the climate risk exposures of public entities over the short-, medium-, and long-term and to evaluate their transition plan strategies.
- We suggest encouraging disclosures across the three emissions scopes to ensure comparability and consistency in reporting. Particularly, consistent Scope 3 disclosures would be crucial in providing a comprehensive view of climate-related value chain risks and opportunities of public sector entities.
- We support the adoption of widely recognised Partnership for Carbon Accounting Financials (PCAF) Standard based GHG Protocol for disclosing financed emissions, including for public sector entities[3]. Adopting standards on financed emissions such as PCAF would help IPSASB enhance transparency and comparability by providing a clearer picture of the environmental impact associated with public sector activities. Additionally, in order to facilitate comparisons between public sector entities of varying sizes, disclosure of emissions intensity would be recommended[4].
- We support the use of **climate scenario analysis**, applied across short-, medium-, and long-term time horizons, as a crucial tool for examining the potential impacts of climate change on public sector models, value chains, and their resilience. In this regard, we

[2] IFRS S2 Climate-related Disclosures (IFRS, June 2023)
[3] Sovereign Bonds and Climate, (MSCI, October 2023)
[4] A Silver Lining for Climate-Tilted Bond Portfolios? (MSCI, September 2024)

support the TCFD's scenario analysis guidance[5,6] which provides a structured approach for public sector entities to begin applying scenario analysis, while acknowledging the importance of key principles such as transparency, comparability and methodological consistency.

- According to the ISSB standards, disclosing entities must report whether their analysis includes a **diverse range of climate-related scenarios**, including at least one scenario that aligns with the latest international agreement on climate change. MSCI provides a wide range of scenarios in line with the Network for Greening the Financial System (NGFS).[7] Additionally, to better understand the evolving nature of climate-related financial risks, we recommend that the disclosing entities include a high-temperature scenario in their analysis, such as the NGFS's 3°C scenario or an equivalent. This approach will help evaluate the most severe impacts of physical climate-related risks, including chronic and acute hazards from wildfires, floods, and extreme heat (non-exhaustive).

Areas where further clarification is needed

- **Emphasis on material climate impacts and opportunities:** We suggest that the Exposure Draft provide clearer guidance on how metrics should emphasize material climate impacts and opportunities, while also offering more clarity on how public sector entities assess materiality. A structured methodology or tailored guidance, such as criteria focused on public service delivery impacts, regulatory influence, and societal needs, would enhance clarity in disclosures.

- **Guidance on metrics and case studies:** We recommend including case studies or additional detailed guidance on metrics to support more explicit disclosures, in particular on chronic and acute physical risks as well as adaptation-related metrics that assess the resilience of the public sector entities' model to climate change.

[5] Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities (TCFD, June 2017)
[6] Guidance on Scenario Analysis for Non-Financial Companies (TCFD, October 2020)
[7] NGFS Scenarios Portal