



## IPSASB SRS ED 1 Summary – *Climate-related Disclosures*

This summary provides an overview of the first proposed IPSASB Sustainability Reporting Standard™ (IPSASB SRS™) Exposure Draft 1, *Climate-related Disclosures*

<b>Project Objective:</b>	The objective of this Exposure Draft (ED) is to provide principles for public sector entities to disclose information in its general purpose financial reports that is useful to primary users for accountability and decision-making purposes about: <ul style="list-style-type: none"><li>• Climate-related risks and opportunities to its own operations; and</li><li>• Climate-related public policy programs and their outcomes.</li></ul>
<b>Project Stage:</b>	The IPSASB issued the ED for public consultation in October 2024.
<b>Next Steps:</b>	The IPSASB seeks feedback on the proposals in the ED to guide it in developing a final IPSASB SRS, <i>Climate-related Disclosures</i> standard that meets the needs of primary users.
<b>Comment Deadline:</b>	IPSASB SRS ED 1 is open for public comment through February 28, 2025.
<b>How To Respond:</b>	Respondents are asked to submit their comments electronically through the IPSASB website, using the <a href="#">“Submit a Comment”</a> link. Please submit comments in both a PDF <u>and</u> Word file. All comments will be considered a matter of public record and will ultimately be posted on the website.

## About IPSASB

The International Public Sector Accounting Standards Board (IPSASB) is an independent standard-setting body that develops international financial and sustainability reporting standards for public sector entities.

### Objective

The IPSASB's strategic objective is strengthening public financial management and sustainable development globally through increasing adoption and implementation of its Standards.

The IPSASB sets accrual-based International Public Sector Accounting Standards® (IPSAS®) and IPSASB Sustainability Reporting Standards™ (IPSASB SRS™).

The Standards set by the IPSASB are designed for use by public sector entities, including national, regional, and local governments, and related governmental agencies, that:

- a. Are responsible for the delivery of services to benefit the public and/or redistribute income and wealth;
- b. Mainly finance their activities by taxes and/or transfers from other levels of government, social contributions, debt or fees; and
- c. Do not have the primary objective to make profits.

Entities can apply IPSASB SRS regardless of whether they apply IPSAS, or any other financial reporting framework.

### Governance and Due Process

The IPSASB follows an open and transparent [due process](#) to ensure that the Standards it develops are developed in the public interest. This provides the opportunity for all those interested in public sector reporting to make their views known to the IPSASB, and ensures that all views are considered in the standard-setting development process.

The [Public Interest Committee \(PIC\)](#) ensures that the standard-setting activities of the IPSASB serve the public interest.

### History

The IPSASB originated in 1986, established as the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC). Over the next 10 years, the PSC issued studies on specialized accounting issues in the public sector. In 1996, it began its role as an international accounting standard setter for the public sector. And in 2023, it confirmed its role in beginning the development of international sustainability standards for the public sector.

## Project Background

IPSASB SRS ED 1 proposes requirements for public sector entities to disclose information about (i) climate-related risks and opportunities to its own operations, and (ii) climate-related public policy programs and their outcomes.

### The Need for Public Sector Sustainability Standards

There is increasing demand and need for reporting by governments on the measures taken to combat the negative impacts of climate change. However, there is currently no international reporting framework for the public sector that links financial, economic and climate-related impacts and addresses the broader role and mandate of the public sector.

In response to the 2022 [World Bank report](#) calling on the IPSASB to develop a framework for public sector sustainability reporting, the IPSASB launched a [global consultation](#) on leading the development of public sector specific sustainability reporting standards to fill the information gap for users of public sector sustainability-related reports, including capital markets.

With strong support received in response to the global consultation, the IPSASB began development of its first IPSASB SRS on *Climate-related Disclosures* in 2023.

### Climate-related Information for Decision-making and Accountability

The need for coordinated action across all sectors of the economy to progress on climate initiatives requires government action to lead change. However, given the scale of investment required and the wide-ranging demands on governments, private sector investment is going to be essential, along with coordinated focused and efficiently managed public policy programs.

IPSASB SRS ED 1 proposes to align public sector reporting with global best practices, building on other international sustainability standards, while addressing the unique differences and information needs of primary users of public sector reports. This leads to more consistent, comparable and verifiable information across sectors to enable better decision-making and accountability. IPSASB SRS ED 1 proposals provide useful information for primary users of general purpose financial reports, including service recipients and resource providers, about (i) climate-related risks and opportunities to an entity's own operations, aligned with private sector guidance, and (i) climate-related public policy programs and their outcomes, to address the dual role of governments.

## Building on Established Standards and Sustainability Expertise

IPSASB SRS ED 1 aims to support global climate action by proposing guidance aligned with the Taskforce for Climate-related Disclosures (TCFD) and IFRS S2, *Climate-related Disclosures*, while integrating GRI’s multi-stakeholder focus.

The proposed guidance provides the information needed to access global capital markets, simplify reporting, and enhance understandability.

### Established Private Sector Frameworks and Standards

It is imperative that public sector entities maintain access to capital markets that are shifting disclosure expectations based on sustainability information being provided by the private sector.

Therefore, IPSASB SRS ED 1 proposes public sector disclosure requirements, adapted from established global private sector frameworks, primarily TCFD and IFRS S2 *Climate-related Disclosures*, for reporting on the climate-related risks and opportunities to an entity’s own operations.

IPSASB SRS ED 1 also proposes additional requirements relating to the public sector’s ability to exercise sovereign powers to set policies such as through legislation, regulation and/or spending on programs to drive behavioral change of other public, private entities and/or households. These requirements are only applicable to entities that have responsibility and accountability for the outcomes of such climate-related programs. These requirements integrate GRI’s multi-stakeholder focus to facilitate reporting on the outcomes of climate-related public policy programs.

### Public Sector and Sustainability Expertise

The IPSASB has well-established global public-sector expertise, experience and an open and transparent [due process](#). To support the IPSASB’s development of sustainability reporting standards, the IPSASB enhanced its existing processes by establishing new advisory groups to provide sustainability expertise, advice and recommendations to the Board. These new groups include the [Sustainability Reference Group and Climate Topic Working Group](#).

IPSASB SRS ED 1 also draws from existing public sector guidance, including (i) the IPSASB Conceptual Framework; (ii) RPG 1, *Reporting on the Long-term Sustainability of an Entity’s Finances*; and RPG 3, *Reporting Service Performance Information* and (iii) IPSAS.



## The Role of the Public Sector in Climate Action

The public sector affects and is affected by climate through:

(i) Its own operations; and (ii) Climate-related public policy programs.

### Own Operations



**IPSASB SRS ED 1 requires disclosures about climate-related risks and opportunities that could affect the entity's day-to-day activities.**



An entity's operations includes all public sector activities supporting service delivery.



These disclosures are expected to be applicable for all public sector entities across all levels of government, such as public schools, hospitals, municipalities, states and regions.

### SPECIFIC MATTER FOR COMMENT 1 and 3:

Do you agree (1) that separate disclosure requirements are needed for own operations and public policy programs and (2) with the scope of reporting on climate-related public policy programs?

### Reporting on its own operations

All public sector operations may be affected by climate-related risks, such as those resulting from severe weather events, and opportunities, such as transition to low-carbon technologies.

IPSASB SRS ED 1 proposes disclosure requirements about these climate-related risks and opportunities that affect the entity's ability to continue to provide its day-to-day activities and deliver on its public interest mandate.

### Reporting on public policy programs

In addition, governments have made climate action commitments through international agreements and/or national commitments, and some public sector entities have a unique policy setting role that influences the behaviors of other entities and/or individuals.

Therefore, IPSASB SRS ED 1 proposes disclosure requirements about the climate-related public policy programs that contribute to these commitments and their outcomes.

### Public Policy Programs



**IPSASB SRS ED 1 requires disclosures about climate-related public policy programs and their outcomes.**



This relates to public policy programs such as laws or regulation, taxes, subsidies, **with a primary objective to achieve climate-related outcomes.**



These disclosures are **only required by entities responsible for the outcomes of a climate-related public policy program**, which include sovereign or sub-sovereign entities in influencing the behavior of other entities and/or individuals.

## The Four Pillars for Reporting on an Entity’s Own Operations

IPSASB SRS ED 1 proposes disclosure requirements about an entity’s own operations adapted from the TCFD and IFRS S2, and provides additional public sector application guidance.

### Governance

- IPSASB SRS ED 1 proposes disclosures about the governance processes, controls and procedures the entity uses to monitor, manage and oversee climate-related risks and opportunities.
- This includes the role of the governing body and the role of management, which may differ across public sector entities.

### Strategy

- IPSASB SRS ED 1 proposes that an entity provide disclosures about the climate-related risks and opportunities that affect the entity’s operations, including information about:
  - (i) The entity’s strategy and decision-making process;
  - (ii) The current and anticipated financial effects; and
  - (iii) The climate resilience and the entity’s ability to adapt.

### Risk Management

- IPSASB SRS ED 1 proposes that an entity disclose its risk management processes and policies to identify, assess, prioritize, and manage climate-related risks and opportunities.

### Metrics and Targets

- IPSASB SRS ED 1 proposes that an entity disclose performance indicators and targets it uses to measure the performance towards its strategic goals, which includes Scopes 1, 2, and 3 greenhouse gas emissions.
- IPSASB SRS ED 1 allows for use of methodologies other than the GHG Protocol: A Corporate Accounting and Reporting Standard where an entity determines another methodology more appropriate.

#### **SPECIFIC MATTER FOR COMMENT 2:**

Do you agree with the proposed approach and adaptations on disclosure requirements for own operations?

## The Four Pillars for Reporting on Climate-related Public Policy Programs

IPSASB SRS ED 1 proposes disclosure requirements about public policy programs with a primary objective to change the behavior of others to achieve climate-related outcomes.

These disclosures are for those select entities that have responsibility for outcomes of the climate-related public policy programs to ensure transparency and accountability while providing useful information for decision-making.

**SPECIFIC MATTER FOR COMMENT 5 and 6:**

Do you agree that these disclosure requirements for climate-related public policy programs meets the information needs of primary users?

### Governance

- IPSASB SRS ED 1 proposes disclosures about the governance processes, controls and procedures the entity uses to monitor, manage and oversee climate-related public policy programs and their outcomes.
- This includes the role of the governing body and the role of management, which may differ across reporting entities and public policy programs.

### Risk Management

- IPSASB SRS ED 1 proposes that an entity disclose its processes and policies to identify, assess, prioritize and manage the challenges to achieving the intended outcomes of a climate-related public policy program.

### Strategy

IPSASB SRS ED 1 proposes disclosures on:

- An entity's strategy and decision-making for climate-related public policy programs, which includes any factors and considerations in policy setting such as consideration of policy trade-offs;
- The anticipated challenges to achieving the intended climate-related public policy program outcomes; and
- The financial implications of the climate-related public policy programs.

### Metrics and Targets

- IPSASB SRS ED 1 proposes that an entity disclose the change in GHG emissions reasonably attributable to the climate-related public policy program, and any other metrics used to measure and monitor the climate-related public policy program outcomes.

## Conceptual Foundations and General Requirements

IPSASB SRS ED 1 provides conceptual foundations and general requirements based on concepts from the IPSASB Conceptual Framework and consistent with requirements adapted from IFRS S1.

### General Requirements

IPSASB SRS ED 1 proposes general requirements relating to location of reporting, timing of reporting, comparative information, statement of compliance; and judgments, uncertainties and errors.

### Fair presentation

IPSASB SRS ED 1 proposes to require a depiction of climate-related risks and opportunities and, where applicable, climate-related public policy program outcomes that are complete, neutral and free from material error.

### Connected information

IPSASB SRS ED 1 proposes that disclosure should be connected across the reporting entity's general purpose financial reports to enable users' understanding of these connections. This includes connections between information within its climate-related disclosures, such as between information about climate-related risks and opportunities to an entity's own operations and climate-related public policy programs and their outcomes. This also includes connections across its general purpose financial reports, such as connections to other sustainability-related reports or its general-purpose financial statements.

### Material information

An entity is required to disclose information that is material to the primary users of general purpose financial reports.

The IPSASB considered current materiality concepts as it relates to sustainability and concluded that materiality is entity-specific and should be driven by the needs of primary users. Consistent with the IPSASB Conceptual Framework, primary users of public sector general purpose financial reports are service recipients and resource providers.

IPSASB SRS ED 1 proposes the following definition of material information aligned with the IPSASB Conceptual Framework:

*In the context of climate-related disclosures, material information is information that, if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis of the entity's general purpose financial reports prepared for that reporting period.*

#### **SPECIFIC MATTER FOR COMMENT 7 and 8:**

Do you agree that the proposed definition of materiality and general requirements are appropriate for climate-related reporting by public sector entities?



## Next Steps

The deadline for comments is February 28, 2025.

IPSASB members and staff are available to discuss the proposals during the comment period.



### How Can I Comment on the Proposals?

The ED requests comments on the Specific Matters for Comment (SMCs) on which the IPSASB is seeking views.

Respondents may choose to answer all SMCs or just a selected few. The IPSASB welcomes comments on any other matters within the scope of the project that respondents think it should consider in forming its views.

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and a Word file. Comments must be received in English to be considered.

All Comments will be considered a matter of public record and will be posted on the IPSASB website.

The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

### Stay Informed

The IPSASB’s website will indicate the meetings at which feedback on the ED will be discussed. The dates and the locations of the 2025 meetings are available at:

<https://www.ipsasb.org/meetings>

To stay up to date about the project, please visit:

<https://www.ipsasb.org/consultations-projects/sustainability-climate-related-disclosures>