

CLIMATE-RELATED DISCLOSURES

PROJECT BRIEF AND OUTLINE

Section 1 Introduction

- 1.1 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.
- 1.2 In response, in May 2022, the IPSASB issued a [Consultation Paper \(CP\) on 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.
- 1.3 A total of 70 written responses were received, of which almost half were new respondents who had not previously submitted comment letters to the IPSASB. In addition to the written responses, the IPSASB actively engaged in outreach to solicit further responses and raise awareness of the CP, including through its Consultative Advisory Group (CAG) and by holding five regional virtual roundtables in areas of increasing IPSAS adoption and implementation. In total, 492 participants attended the roundtables representing 127 countries.
- 1.4 In December 2022, in light of the urgency of this issue and given the broad support from constituents, the IPSASB decided to commence the scoping of three potential public sector specific sustainability reporting projects pending securing the resources needed to begin standards development. The IPSASB's prioritized research topics were:
 - a) General Requirements for Disclosure of Sustainability-related Financial Information,
 - b) Climate-Related Disclosures, and
 - c) Natural Resources – Non-Financial Disclosures (in parallel with the development of financial reporting guidance proposed in its Consultation Paper, *Natural Resources*).
- 1.5 In March 2023, the IPSASB decided to prioritize and focus its current resources on the development of a Climate-Related Disclosures project brief. The IPSASB also decided to move forward with scoping the potential initial sustainability reporting projects using a framework based on:
 - a) The [CP Advancing Public Sector Sustainability Reporting](#) and feedback received from constituents;
 - b) IPSASB [Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities](#) (the Conceptual Framework) as it will be used as a guide to consider and develop key concepts in the standards including objectives, users and information needs;
 - c) IFRS Sustainability Standards; and
 - d) Global Reporting Initiative (GRI) Standards.
- 1.6 In May 2023, the IPSASB also issued additional non-authoritative guidance in Recommended Practice Guideline (RPG) 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*, and

RPG 3, *Reporting Service Performance Information* which can be immediately applied by governments and public sector entities to report on sustainability program information.

Section 2 Rationale for Project

2.1 There is significant public interest globally in climate-related disclosures, in both the public and private sectors, including the call from the [World Bank 2022 Sovereign Climate and Nature Reporting report](#) and the [UN Intergovernmental Panel on Climate Change Sixth Assessment Report](#). A climate-related disclosure standard satisfies the four criteria for project prioritization identified in the IPSASB 2019-2023 Strategy:

- a) **Prevalence.** “Climate change is a widespread global issue and a threat to human well-being and planetary health.”¹ There is increasing attention on climate in line with the recognition of the need for more effective climate action globally. Public sector action is needed to bring about widespread changes across the globe. Through its leadership and policy responsibilities, powers to regulate, the public sector is in a unique position to encourage private sector businesses and individual citizens to change their behaviours, in addition to changing its own actions. Therefore, there is a need for global public sector climate-change reporting.
- b) **Consequences.** Delayed climate action will continue to cause “widespread adverse impacts and related losses and damages to nature and people.”¹ The lack of climate-related disclosure can impair the ability of public sector entities in providing useful information for decision making and accountability of their climate change efforts. This can have significant consequences, including a direct impact on the economy, environment and society as the public sector accounted for over 40% of GDP among OECD countries in 2019² and median public sector employment was over 20% worldwide in 2018³, and a direct impact on investment in sovereign bonds which make up almost 40% of the US\$100 trillion global bond market⁴. Demonstrated action is needed by public sector entities towards lowering greenhouse gas (GHG) emissions to meet international agreements, such as the UN *Framework Convention on Climate Change (UNFCCC) Paris Agreement*.
- c) **Urgency.** Climate change has significant prominence in the global community and requires consideration immediately. “There is a rapidly closing window of opportunity to secure a livable and sustainable future for all. With every increment of warming, climate change impacts and risks will become increasingly complex and difficult to manage.”¹ Therefore, there is an urgent need for public sector action and a global baseline for the public sector to provide consistent and comparable reporting on climate.

¹ IPCC, 2022: *Climate Change 2022: Impacts, Adaptation, and Vulnerability*. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. Cambridge University Press, Cambridge, UK and New York, NY, USA, 3056 pp., doi:10.1017/9781009325844.

² OECD (2021), *Government at a Glance 2021*, OECD Publishing, Paris, <https://doi.org/10.1787/1c258f55-en>.

³ World Bank GovData360 Portal, Public sector employment as a share of total employment, https://govdata360.worldbank.org/indicators/haa733075?country=BRA&indicator=42305&viz=line_chart&years=2000,2017

⁴ World Bank, (January 2022), *Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework*, World Bank, Washington, DC. <http://hdl.handle.net/10986/36894>

- d) **Feasibility.** The IPSASB proposes to build off the IFRS S2 Climate-related Disclosures standard and GRI climate-related topic standards to develop the first public sector specific sustainability reporting standard. The IPSASB acknowledges the challenges in adapting private sector guidance for a public sector-specific climate-related disclosures project, however, this approach can potentially help to maximize efficiencies and increase interoperability with other existing sustainability guidance, such as Task Force on Climate-Related Financial Disclosures (TCFD) and GRI.

2.2 In response to the CP, constituents strongly supported the approach to start with developing guidance for climate-related disclosures as a first topic, and when asked what topics are most pressing in your jurisdiction, the topic of climate had the highest frequency. Additionally, the IPSASB decided to start with climate first as a pragmatic approach is needed in light of the current resources and climate is a realistic sustainability frame of reference to begin with given the progress and advancement in climate reporting.

2.3 Many respondents also raised social and governance issues as a priority, particularly in developing countries. However, most of these respondents also supported climate-related disclosure as a first topic given the global focus and need for climate reporting. The IPSASB acknowledges these views, however, as noted above, it will start with climate first as a pragmatic approach in light of current resources. The IPSASB hopes to initiate a General Requirements for Disclosure of Sustainability-related Financial Information and Natural Resources project in the coming months subject to funding and resource availability. In the future, the IPSASB will consider addressing other environmental, social and governance topics as well.

2.4 In recent IPSASB outreach and [Association of Chartered Certified Accountant's \(ACCA\) February 2023 roundtable on sustainability reporting in the public sector](#), constituents continued to support that the IPSASB should prioritize the development of reporting requirements relevant to climate change given the urgency of action needed to address climate change.

2.5 The pressing need for climate-related disclosures is further evidenced by the activities of other international standard setters:

- a) On April 4, 2023, the International Sustainability Standards Board (ISSB) decided that it will provide transitional reliefs to support companies to focus initial efforts on ensuring they meet investor information needs around climate change first. Companies will then provide reporting on other sustainability related risks and opportunities, beyond climate, from the second year of reporting.
- b) In February 2023, the Global Sustainability Standards Board (GSSB) approved the Climate Change Final Project Proposal with the objective to have exposure draft(s) ready in H1 2024. This project will review and revise GRI climate change-related standards and incorporate new issues that reflect stakeholder expectations on climate change impacts.

Section 3 Sustainability Reporting Requirements

3.1 The project will address the need for a public sector climate-related disclosures standard which will be separate current suite of IPSAS. The standard development will be based on IFRS S2, which is a private sector climate-related disclosure standard built on the four pillars of the TCFD framework – governance, strategy, risk management, and metrics and targets including metrics related to GHG

emissions, adapted for public sector specific differences. This process will include incorporating requirements from GRI Standards, adapted for the public sector context, to address the multi-stakeholder, impact focused needs of public sector users.

- 3.2 It is expected that climate-related issues will also impact financial reporting. The potential impact is expected to be similar for the private and public sectors. The International Accounting Standards Board (IASB) will also explore whether and how companies' financial statements can provide better information about climate-related risks as it was noted by private sector constituents that:
- a) Climate-related risks are often perceived as remote, long-term risks and may not be appropriately considered in the financial statements; and
 - b) Investors need better qualitative and quantitative information about the effect of climate-related risks on the carrying amounts of assets and liabilities reported in the financial statements.
- 3.3 The objective of this project is not to address these financial reporting issues, however, staff will monitor and review any climate-related impacts to financial reporting.

Section 4 Project Objectives

- 4.1 The project objective is to develop a global baseline for consistent and comparable public sector climate-related disclosures, separate from the current suite of IPSAS, to meet the needs of users of public sector sustainability reports (service recipients and resource providers) and ensure better transparency, accountability and enable improved decision-making.

Achieving the Objective

- 4.2 To achieve the project objective, the project will:
- a) Establish the Climate-related Topic Working Group to address the objectives and specific issues of this project; and
 - b) Consider strategic advice from the Sustainability Reference Group (SRG) which will be launched concurrently with this Project to provide advice from a variety of perspectives on IPSASB's overall sustainability reporting standards development program.

To maximize sustainability expert resources and manage scarce IPSASB plenary time, it is expected the project will be delivered primarily by staff and the working group (similar to the processes in developing IPSAS 41 Financial Instruments) in accordance with the IPSASB's due process.

- 4.3 In addition, staff will seek to collaborate with other international standard setters, namely:
- a) Ongoing discussions with the ISSB;
 - b) Participation in GRI's Topic Standard Project for Climate Change; and
 - c) Potential collaboration with GRI on sector working groups in developing targets and metrics.

Section 5 Outline of the Project

Project Scope

- 5.1 The scope of this project is to develop climate-related disclosure requirements for reporting entities, as defined in the Conceptual Framework, by leveraging international sustainability reporting guidance as it relates to:
- a) Climate-related impacts an entity can have on the economy, environment and people;
 - b) Climate-related risks the entity is exposed to, including but not limited to, physical and transition risks; and
 - c) Climate-related opportunities available to the entity.

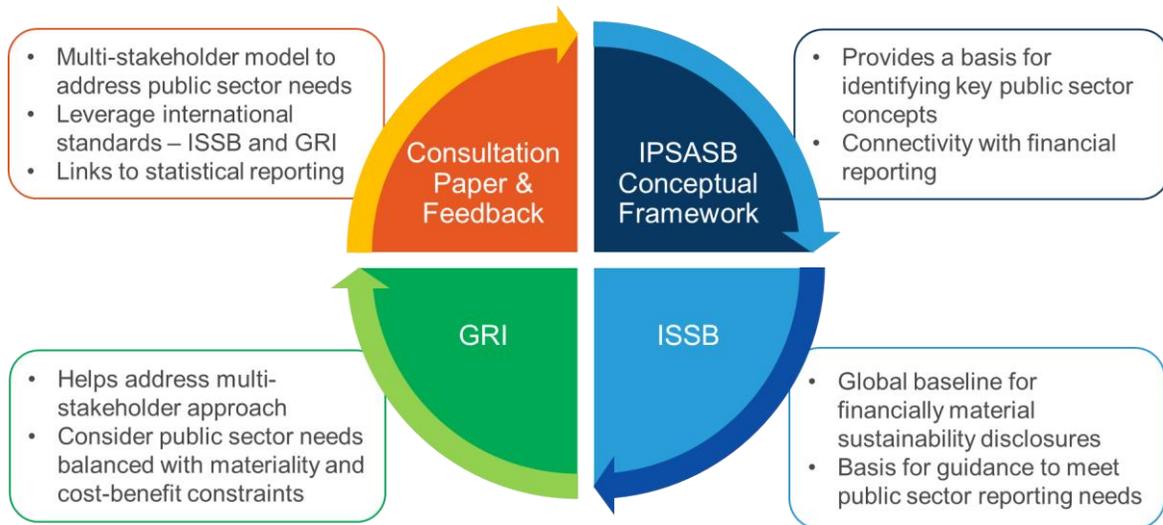
Key Issues

5.2 The project will consider the key issues listed below:

Key Issues Relating to Technical Matters

Key Issue #1 – Building off international guidance – ISSB and GRI

- 5.3 In response to the CP, constituents supported leveraging international guidance including the IFRS Sustainability Standards. Constituents also supported the need for a multi-stakeholder approach that reflects decision-making and accountability user needs, and many pointed to leveraging GRI standards to support this.
- 5.4 Based on this feedback to the CP, and agreed upon by the IPSASB in March 2023, standard development will build off of IFRS S2 and layer on GRI climate-related topic and sector standards, as appropriate, to address public sector specific issues by applying IPSASB’s well-established [Process for Reviewing and Modifying IASB Documents](#), and moderated through the application of the Conceptual Framework and public sector sustainability framework.



5.5 There will be challenges with this approach to draw from two different standards which differ in certain ways such as financial materiality and broader impact approaches. In addition, there will be challenges to further layering on additional public sector context not addressed in private sector guidance, such as an entity’s disclosures when its roles include policy making and/or regulation. However, this approach should support interoperability, as some public sector entities currently apply

principles from TCFD, GRI and other frameworks, and maximize efficiencies to move quickly in addressing the urgent need for a public sector climate reporting standard.

- 5.6 Although there are other factors that contribute to climate change, this project will focus on GHG emissions in line with other international standard setters, statistics guidance and other targets (e.g. IFRS S2, UN *FCCC Paris Agreement*, and Nationally Determined Contributions (NDCs)).

Key Issue #2 – Governance

- 5.7 Public sectors worldwide operate with different legislative frameworks and do not have a standard organizational structure. This project will have to consider whether additional guidance on public sector governance is needed and whether this will differ at different levels of government.
- 5.8 This project will also consider whether other changes to IFRS S2 are needed to reflect public sector specific differences. For example, whether information around composition and nomination of governing body members (drawing from GRI standards) would be needed, or if disclosure requirements around remuneration or controls (in IFRS S2) would need to be adapted for the public sector.

Key Issue #3 – Strategy

- 5.9 Many respondents to the CP pointed to the broader role of the public sector, particularly setting policy and providing regulation, and the importance of reporting to improve accountability. This project will consider the additional disclosures needed by some public sector entities that set policy and regulations, and how their strategies address climate-related impacts, risks and opportunities, including climate adaptation, mitigation and just transition plans.
- 5.10 Consideration will also be given to adaptation of terminology in IFRS S2 such as opportunities, business model and value chain to reflect the public sector model as well as any other changes needed for the public sector.
- 5.11 ISSB redeliberations have noted that they will provide a framework and further guidance on scenario analysis. This project will have to review the applicability of this guidance once IFRS S2 is finalized and published, and the need for any modifications for the public sector.

Key Issue #4 – Risk and Impacts Management

- 5.12 IFRS S2 is focused on disclosures around the entity's risk management processes. This project will have to consider if this focus sufficiently meets public sector user needs or whether additional disclosures would be needed relating to the entity's actions, policies and commitments to address and manage the impacts, risks and opportunities identified, drawing from GRI Standards.
- 5.13 This will include assessing the scope of risks and how related disclosures will be adapted for the public sector context, including appropriate terminology.

Key Issue #5 – Metrics and Targets / Sectors

- 5.14 This project will consider guidance in GRI climate-change related standards and the final IFRS S2 standard, including metrics and targets for adaptation and mitigation, and how these apply for public sector reporting entities.

- 5.15 There are different methodologies and guidance on measuring GHG emissions. This project will consider the methodology or methodologies that may be required or referenced (as options) for the reporting entity to apply as appropriate and whether additional guidance for how Scope 1, 2 and 3 would be applied for public sector reporting entities. While not exhaustive, some methodologies for consideration are:
- a) Intergovernmental Panel on Climate Change (IPCC) guidance “2006 IPCC Guidelines for National Greenhouse Gas Inventories” and “2019 Refinements to 2006 IPCC Guidelines for National Greenhouse Gas Inventories”.
 - b) GHG Protocol – e.g. GHG protocol guidance for cities (Global Protocol for Community-Scale GHG Inventories (GPC)), policy specific effectiveness at national and local levels (Policy and Action Standard), and reduction goals at national and subnational levels (Mitigation Goal Standard). In the GHG Mitigation Goal Standard for national and sub-national levels, emissions are differentiated based on in-jurisdiction emissions (scope 1) and out-of-jurisdiction emissions (scope 2 and 3).
 - c) ISO 14064 International Standard for quantifying and reporting GHG Emissions.
- 5.16 This project will also consider how disclosure requirements may be linked with and provide a central reporting model that may also be used for other purposes and existing public sector indicators such as NDCs, UN Sustainable Development Goal (SDG) 13 Climate Action, statistical sustainability reporting developments, and other international developments relating to climate change.
- 5.17 Consideration will be given to the approach towards sector specific metrics for public sector functions with reference to the Organisation for Economic Co-operation and Development (OECD) Classification of the Functions of Government (COFOG) as compared with SASB Standards and GRI Sector and topic standards, including GRI 11 Oil and Gas, GRI 12 Coal, GRI 305 Emissions and GRI 302 Energy.

Key Issue #6 – General features

- 5.18 This project will have to consider the need to add General features to this project (such as those from IFRS S1 which provides guidance on defining reporting entity, frequency of reporting, comparative information etc.) as the public sector Climate-related Disclosures ED may be issued prior to a General Sustainability-related Disclosures ED.
- 5.19 Scalability of requirements was also noted as an issue by some respondents to the CP. This project will consider how guidance may be scalable, including for example, whether it is possible to identify ‘basic’ and ‘advanced’ requirements similar to S2 redeliberation proposal or other such mechanisms. This project will monitor and review how scalability is addressed by the final IFRS S2 standard. Transitional-relief for first-time adoption will also be considered as part of this project.

Key Issues Relating to Project Management

Key Issue #7 – Resources and Expertise

- 5.20 There is a scarcity of and challenge to securing staffing with climate-related expertise as well as public sector experience. As a result, the right institutional arrangements to support and provide the requisite expertise through the project and standard development process will be needed.

5.21 In addition, there is a challenge to securing long-term funding for the ongoing sustainability project work program. It will be important to manage expectations and the work program appropriately as well as continue pursuing funding.

Key Issue #8 – Sustainability-related institutional arrangements and learning curve

5.22 Given there are different levels of sustainability-related experience and expertise within the IPSASB and staff, it is expected that it will take time to build a greater and homogenous level of sustainability expertise and therefore, different standards development processes are warranted.

5.23 There will be the need to ensure right relationships, including governance and oversight arrangements, and other standard setting arrangements and expertise (advisory and working groups), are established. As noted in 4.2 above, the IPSASB will establish institutional arrangements to build sustainability expertise and develop effective relationships in its standards development process.

5.24 These arrangements will need to be flexible, supported by pragmatism and innovation, compared with those supporting the traditional financial reporting process. From the staff view, IPSASB existing due process allows flexibility in how standards are developed without adjustments.

Key Issue #9 – Timeliness of guidance

5.25 Given the urgent demand for climate-related disclosures in the public sector, timeliness, consistent with other international sustainability standard setters, will be important.

5.26 The development of a climate-related disclosures standard is expected to require significant external engagement and also to be an iterative process. In order to ensure that disclosure requirements are decision-useful, support accountability, yet not excessive, the IPSASB will seek to engage with various preparers, users and others. At the same time, there is a need to issue standards for reporting entities quickly to allow preparers to start implementation and reporting. In this way, the IPSASB can get feedback from preparers and users and review the feedback sooner as compared with the historical financial reporting standard setting timelines.

5.27 These principles of timeliness and the expected iterative nature of the process will underscore the time to market of the climate-related disclosure standard.

Section 6 Describe the Implications for any Specific Persons or Groups

Relationship to Other Standards, Projects in Process or Planned Projects

6.1 There may be links to IPSASB's existing financial reporting guidance and/or current projects including:

- a. Current financial reporting project on Natural Resources;
- b. Recommended Practice Guidelines (RPGs):
 - i. RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*,
 - ii. RPG 2, *Financial Statement Discussion and Analysis*,

- iii. RPG 3, *Reporting Service Performance Information*; and
 - c. Current project to review IPSAS 1, *Presentation of financial statements*.
- 6.2 Issues related to financial reporting may also arise and will be considered in the context of the specific financial reporting work program projects.

Relationship to the ISSB and IASB

- 6.3 Staff will work closely with ISSB staff and will monitor the finalization and further developments related to IFRS S2 and the ISSB's work plan and agenda consultation.
- 6.4 In addition, staff will monitor the IASB's work program relating to any climate-related financial reporting projects and engage with IASB staff as appropriate.

Relationship to GRI

- 6.5 GRI Standards will be a principal source of information. Standards development will draw from these GRI standards to help address the multi-stakeholder perspective and public sector user information needs for decision-making and accountability. Staff will work closely with GRI including through participation as an observer on GRI's Topic Standard Project for Climate Change and potentially collaborate on sector working groups (see paragraph 8.2 below) in development of metrics and targets.

Government Finance Statistics

- 6.6 This project will look to the ongoing developments around sustainability in the statistical community, as well as NDCs, UN SDG 13 Climate Action and UN System of Environmental Economic Accounting (UN SEEA), and consider potential for alignment with such metrics and targets as per the [IPSASB Process for Considering GFS Reporting Guidelines during Development of IPSASs](#).

Other groups

- 6.7 In addition, various impacted groups will have perspectives that will inform this project, including:
- a) National and regional standard-setters;
 - b) Governments;
 - c) Accountancy profession and other interested professions; and
 - d) Other interested external parties, including investors, international intergovernmental organizations, and indigenous groups.

Staff will engage and seek input from these groups to identify issues of international relevance that need to be addressed.

Section 7 Development Process, Project Timetable and Project Output

Development Process

7.1 The development of the project outputs will be subject to the IPSASB’s formal due process, with input from the Sustainability Reference Group and Consultative Advisory Group (CAG). The approval of an ED and final standard will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm that the project addresses all matters identified in this Project Brief and that the timetable remains appropriate.

Project Timetable

7.2 The table below outlines the proposed project timetable.

| Expected Completion | | Major Project Milestone |
|---------------------|---------|--|
| 2023 | June | Approval of Project Brief |
| 2024 | June | Approval of Exposure Draft |
| 2024 | October | End of ED comment period (four months) |
| 2025 | H2 | Approval of Final Standard |

Project Outputs

7.3 The output of the project will be an ED and a final standard.⁵

Section 8 Resources Required

IPSASB support arrangements

8.1 A **Climate-related Topic working group** will be set up to supplement the technical expertise needed through the project and standard development process, including drafting of the standard.

8.2 In addition to setting up the topic-related working group, the following overarching sustainability arrangements will support the achievement of this project’s objectives:

- a) The **Sustainability Reference Group (SRG)** comprising a range of stakeholders will be established, concurrently with this project, to provide the IPSASB with the necessary strategic and technical expertise, including climate-related and scientific expertise, and diversity of views throughout the project development process of IPSASB’s sustainability-related projects.
- b) The **Sustainability Steering Committee (SSC)** comprises seven current IPSASB members. The SSC will provide advice on strategic issues and monitor the progress of sustainability-related projects outlined in paragraph 1.4 above.

8.3 Further research will be needed to consider how climate-related disclosures, targets and metrics may be different for different public sector functions and, in turn, consider the need for sector specific engagement or working groups.

Factors that Might Add to Complexity and Length

⁵ As needed, staff will also prepare any reporting requirements set out in funding arrangements.

- 8.4 Factors that may add to the complexity and length of this project include:
- a) The potential for discovery of unanticipated and complex reporting issues that require additional resources, expertise, stakeholder consultation or IPSASB deliberation time to resolve given climate reporting in the public sector is a significantly new and developing field;
 - b) Pace of advancement of climate reporting guidance by others (e.g. ISSB and GRI) may affect IPSASB timetables as the IPSASB intends to take account of such developments to avoid unintended or unnecessary differences in international positions, and to assess where additional public sector specific guidance is required;
 - c) Significant external expectations for this project, which lead to the need for more communication with constituents;
 - d) Required time for establishment, coordination and consultation with the Sustainability Steering Committee, Sustainability Reference Group, Climate-related Topic and Sector working groups;
 - e) Different levels of sustainability-related experience and expertise within the IPSASB and staff;
 - f) Timing of securing additional funding and resources; and
 - g) Developing and agreeing appropriate IP copyright agreements.

Section 9 Useful Sources of Information

- 9.1 The principal sources of information will include:
- a) Consultation Paper Advancing Public Sector Sustainability Reporting;
 - b) IPSASB Conceptual Framework;
 - c) IFRS S2 Climate-related disclosures and IFRS S1 General Requirement for Disclosures of Sustainability-related Financial Information;
 - d) GRI Standards, including GRI 2 General Disclosures, GRI 3 Material Topics, GRI 201 Economic Performance 2016, GRI 302 Energy 2016 and GRI 305 Emissions 2016;
 - e) Statistical guidance and metrics, including climate targets and UN SDG 13 Climate Action;
 - f) IASB work on the financial reporting impacts of climate change; and
 - g) Relevant regional and national-level standards and other guidance, including the European Sustainability Reporting Standards.