REVIEW INSTRUCTIONS:

IPSASB members, Technical Advisors, and Observers are asked to note the following when reviewing draft Exposure Draft IPSASB Sustainability Reporting Standard (ED SRS) X, *Climate-related disclosures*:

(a) Draft text is based on the approved Sustainability Framework, building off:

(i) IPSASB's Consultation Paper *Advancing Public Sector Sustainability Reporting* and related feedback from constituents;

(ii) IPSASB's Conceptual Framework (CF);

(iii) IFRS Sustainability Disclosure Standards, namely IFRS S2 *Climate-related Disclosures* and IFRS S1 *General requirements for Disclosures of Sustainability-related Financial Information;* and

(iv) GRI Standards, namely GRI Universal Standards and Climate-related Topic Standards.

These components are formatted as follows for easier reference:

Format	**Format description**
Text	Text based on the IPSASB Conceptual Framework, is shaded grey
Text	Text based on IFRS Sustainability Standards, is shaded blue
Text	Text based on GRI Standards, is shaded green
Track changes	Text changed resulting from **Board Decisions**, recommendations from SRG, CTWG or staff, or editorial updates from September 2023 are tracked.

DRAFT IPSASB ED SRS X, Climate-related Disclosures

NOTES	**DRAFT IPSASB ED SRS X, *Climate-related Disclosures***	*Original Source*
	Objective 1. The objective of this [draft] Standard is to provide principles for an entity to disclose information in their general purpose financial reports for decision making and accountability purposes that enables users to evaluate its climate-related impacts, risks and opportunities that could be reasonably expected to affect an entity's service delivery and financial commitments over the short, medium or long term. 2. The ultimate aim of this [draft] Standard is to provide information that supports global action to achieve climate commitments, strengthen resilience and adaptive capacity to climate change.	*Based on IFRS S2 and GRI* *Based on SDG 13*
	Scope 3. **An entity that prepares sustainability reporting disclosures in accordance with this [draft] Standard shall apply this [draft] Standard in reporting on:** **(a) Climate-related impacts on the economy, environment or people;** **(b) Climate-related risks to which an entity is exposed, including but not limited to physical risks and transition risks; and** **(c) Climate-related opportunities available to the entity.**	*Based on IFRS S2.3 and GRI*
	4. Climate-related impacts, risks and opportunities that could not reasonably be expected to the entity are outside the scope of this (draft) Standard.	*Based on IFRS S2.4*
	5. An entity may apply this [draft] Standard irrespective of whether the entity's related general purpose financial statements (referred to as 'financial statements') are prepared in accordance with International Public Sector Accounting Standards (IPSAS) or other generally accepted accounting principles or practices (GAAP).	*Based on IFRS S1.8*
	Definitions	
	6. **The following terms are used in this Standard with the meanings specified:**	
	<u>Climate-related impacts</u> refers to the effects an entity has or could have on the economy, environment and people, as a result of the entity's activities or relationships.	*GRI 3*
Includes potential public sector specific climate-related risks (see Agenda Item 6.2.1 and 6.3.2)	**<u>Climate-related risks and opportunities</u> refers to the potential negative and positive effects, respectively, of climate change on an entity. Climate-related risks may include climate-related physical risks and transition risks, as well as other public sector risks such as policy leadership, value for money, accountability and coordination and delivery risk. Efforts to**	*Based on IFRS S1.7*

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	mitigate and adapt to climate change can produce climate-related opportunities for an entity.	
	Governance	
	[To be completed]	
	Strategy	
	[To be completed]	
	Impact and Risk Management	
	[To be completed]	
	Metrics and Targets	
	[To be completed]	
	General Requirements	
	[To be completed]	
	Effective Date and Transition	
	[To be completed]	

Appendix A: Application Guidance

NOTES	**DRAFT IPSASB SRS X, *Climate-related Disclosures***	*Original Source*
	This Appendix is an integral part of [draft] IPSASB ED SRS X.	
	[to be completed]	

Appendix B: General requirements for Climate-related Disclosures

NOTES	**DRAFT IPSASB ED SRS X, *Climate-related Disclosures***	*Original Source*
	This Appendix is an integral part of [draft] IPSASB ED SRS X.	
	Definitions	
	B1. **The following terms are used in this [draft] Standard with the meanings specified:**	
	General purpose financial reports (GPFRs) are reports that provide financial and non-financial information about a reporting entity that is useful to primary users in making decisions and to enable accountability. General purpose financial reports include—but are not restricted to—an entity's general purpose financial statements and sustainability-related disclosures.	*IPSASB CF*
	Disclosure is impracticable when an entity cannot apply a requirement after making every reasonable effort to do so.	*IFRS S1 Definitions*
Definition is newly added (see Agenda item 6.3.3)	**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 users make on the basis of the entity's general purpose financial reports prepared for that reporting period.**	*Based on IPSASB CF*
Definition is expanded since reviewed by the Board in Sep 2023 based on feedback from CTWG to include policy setting and regulatory roles of public sector entities	**An operational model is an entity's system of ~~transforming inputs through its~~ activities, including setting legislation, policies and regulations, and funding sources that contribute to delivery of services ~~into outputs~~ and outcomes that aims to fulfill the entity's objectives~~, by providing services and/or goods~~.**	*Based on IFRS S1 Definitions*
Definition is newly added based on feedback from CTWG	**Outcomes are the consequences which occur as a result of, or are reasonably attributable to, the entity's activities and services.**	*Based on RPG 1 and Integrated reporting*
	Primary users of GPFRs (primary user or users) are existing and potential service recipients and their representatives and resource providers and their representatives.	*IPSASB CF*
	A reporting entity is a government or other public sector organization, program or identifiable area of activity that prepares general purpose financial reports.	*IPSASB CF*
Definition updated based on IPSASB Sept 2023 meeting instructions	**A reporting entity's value chain refers to the full range of activities to bring the reporting entity's services, goods, legislation, policies and/or regulation from conception to end use. This includes activities of upstream entities such as supplier activities, and activities of downstream**	*Based on GRI 1 Glossary*

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	entities or individuals such as distribution of services, consumption of goods by recipients and end-of-life treatment of goods or assets.	
	~~A reporting entity's value chain refers to the full range of interactions, resources and relationships related to a reporting entity's ***operational model*** and the external environment in which it operates.~~	
	~~A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the entity's operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and ***service and/or product delivery***; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.~~	
	Conceptual Foundations	
	B2. For climate-related information to be useful, it must provide information that is relevant, faithfully represent what it purports to represent, is understandable, timely, comparable and verifiable. These are qualitative characteristics of information included in GPFRs.	*Based on IPSASB CF*
	Fair presentation	
	B3. **A reporting entity shall present fairly all climate-related impacts, risks and opportunities that could reasonably be expected to affect an entity (see paragraph 2).**	*Based on IFRS S1.11 and GRI*
	B4. To identify sustainability-related impacts, risks and opportunities that could affect an entity an entity shall apply paragraphs B.AG1–B.AG26.	*Based on IFRS S1.12*
	B5. **Fair presentation requires disclosure of relevant information about climate-related impacts, risks and opportunities that could affect the entity and their faithful representation in accordance with the principles set out in this [draft] Standard. To achieve faithful representation, an entity shall provide a depiction of those sustainability-related impacts, risks and opportunities that is complete, neutral and free from material error.**	*Based on IFRS S1.13*
	B6. Fair presentation also requires an entity: (a) To present information in a manner that provides relevant, understandable, timely, comparable, and	*Based on IFRS S1.15 and IPSASB CF*

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	verifiable information (see Appendix C); and (b) To disclose additional information as needed to enable users of general-purpose financial reports to sufficiently understand the effects of sustainability-related impacts, risks and opportunities on the entity.	
	B7. Applying this [draft] Standard, with additional information disclosed when necessary (see paragraph B6(b)), is presumed to result in climate-related disclosures that achieve fair presentation.	*Based on IFRS S1.16*
	Materiality	
	B8. **An entity shall disclose material information about the climate-related impacts, risks and opportunities that could be reasonably expected to affect the entity.**	*Based on IFRS S1.17*
	B9. **In the context of climate-related disclosures, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's general purpose financial reports prepared for that reporting period.**	*Based on IPSASB CF*
	B10. To identify and disclose material information, an entity shall apply paragraphs B.AG27–B.AG59.	*Based on IFRS S1.19*
	Reporting Entity	
	B11. **An entity's climate-related disclosures shall be for the same reporting entity as the related financial statements (see paragraph B.AG60).**	*IFRS S1.20*
	Connected Information	
	B12. **An entity shall provide information in a manner that enables users of sustainability reports to understand the following types of connections:** **(a) The connections between the items to which the information relates —such as connections between various climate-related impacts, risks and opportunities that could affect the entity; and** **(b) The connections between disclosures provided by the entity:** (i) **Within its climate-related disclosures—such as connections between disclosures on governance, strategy, risk and impact management and metrics and targets; and**	*Based on IFRS S1.21*

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	(ii) **Across its climate-related disclosures and other general purpose financial reports published by the entity —such as its related financial statements (see paragraphs B.AG54-B.AG58).**	
	B13. **An entity shall identify the financial statements to which the climate disclosures relate.**	*IFRS S1.22*
	B14. **Data and assumptions used in preparing the climate-related disclosures shall be consistent—to the extent possible considering the requirements of International Public Sector Accounting Standards or other applicable GAAP, with the corresponding data and assumptions used in preparing the related financial statements (see paragraph B.AG64).**	*Based on IFRS S1.23*
	B15. **When currency is specified as the unit of measure in the climate-related financial disclosures, the entity shall use the presentation currency of its related financial statements.**	*IFRS S1.24*

Appendix B.AG: General requirements for Climate-related Disclosures – Application Guidance

NOTES	DRAFT IPSASB ED SRS X, *Climate-related Disclosures*	*Original Source*
	This Appendix is an integral part of [draft] IPSASB ED SRS X.	
	Climate-related impacts, risks and opportunities (see paragraph B3-4)	
	B.AG1. This Standard provides principles for an entity to disclose information about climate-related impacts, risks and opportunities that could affect the entity (see paragraph 2).	*Based on IFRS S1.B1*
	B.AG2. An entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort (see paragraphs B.AG18-20): a. To identify the climate-related impacts, risks and opportunities that could reasonably be expected to affect the entity; and b. To determine the scope of its value chain, including its breadth and composition, in relation to each of those climate-related impacts, risks and opportunities.	*Based on IFRS S1.B6*
Proposed steps to reporting are based on IFRS S1 and layers in guidance from GRI (see Agenda Item 6.2.2)	B.AG3. In identifying the climate-related impacts, risks and opportunities that could reasonably be expected to affect the entity and determine related material information for disclosure, an entity shall: a. Understand its context (paragraphs B.AG4-9); b. Identify actual and potential impacts, and related risks and opportunities (paragraphs B.AG10-25); and c. Determine material information for disclosure (paragraphs B.AG26-58).	*Based on IFRS S1.B 7 and GRI*
	Understand the entity's context	
	B.AG4. Understanding an entity's own context is an important first step that provides the entity with critical information for identifying its own impacts, risks and opportunities. To understand an entity's own context, the entity should understand its activities, relationships, stakeholders, and its sustainability context in which these occur.	*Based on GRI 3 Step 1*
	B.AG5. An entity's activities include all types of activities that an entity carries out to achieve its objectives. An entity should consider all aspects of its activities including for example the types of activities to deliver its services and goods, the geographic location of these activities, the operating	*Based on GRI 3 Step 1*

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	environment and economy, the intended beneficiaries, the nature of employees and other non-employees (e.g. contractors, volunteers) and the work they perform for the entity.	
	B.AG6. An entity's relationships are those across its value chain, including: a. Upstream suppliers and service providers; and b. Downstream delivery of services to beneficiaries. For example, a public hospital's relationships across its value chain may include upstream suppliers of medical equipment and emergency vehicles as well as downstream employees delivering services.	
	B.AG7. Public sector entities serve the public interest and have a wide-ranging set of stakeholders. Climate-related reporting must consider all relevant stakeholders whose interests are affected or could be affected by the entity's activities, including those that may have a direct relationship with the entity (e.g. employees, local communities, suppliers) or those who do not or are unable to articulate views (e.g. future generations, nature and the environment).	*Based on GRI 3 Step 1*
	B.AG8. Public sector entities are accountable for their commitments. Climate-related reporting should consider the wider context and latest international developments on sustainability. Sustainability context includes: a. Objective and authoritative developments and measures such as scientific research or consensus on issues; b. The latest international agreements on climate-related goals and conditions; c. Expectations of responsible conduct set out in authoritative intergovernmental instruments e.g. UN Sustainable Development Goals, Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights and in other recognized sector-specific, local, regional or global instruments.	*Based on GRI 3 Step 1*
	B.AG9. The entity should consider the activities, relationships, stakeholders, and sustainability context of all the entities it controls or has an interest in (e.g., controlled entities, joint arrangements, associates), including minority interests.	*Based on GRI 3 Step 1*
	Identify actual and potential impacts, and related risks and opportunities	

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	B.AG10. Climate-related impacts refers to the effects an entity has or can have on the economy, environment and people as a result of its activities or relationships. For example, an entity's business travel results in impacts in the form of greenhouse gas emissions.	*Based on GRI 1*
	B.AG11. Impacts can be direct or indirect, actual or potential, and negative or positive. An entity can directly cause or contribute to an impact on the economy, environment or people, or can be indirectly connected to or linked to an impact. For example, if the entity provides loans to another public sector entity or business that contaminates water and land surrounding the operations, this negative impact is indirectly connected with the reporting entity through its relationship with the loan recipient entity.	*Based on GRI 1 and IFRS S1.B5*
	B.AG12. Impacts on the economy, environment and people are interrelated. For example, an entity's impacts on the economy and environment can result in impacts on people, such as the increase in greenhouse gas emissions can negatively contribute to poorer air quality and affect the health of citizens. Also, an entity's negative impact on climate change could, via subsequent regulatory action or social pressure, result in reputational damage to that entity, which in turn, may influence the decisions of that entity's users. Similarly, an entity's positive impacts can result in negative impacts and vice versa, such as how a decision to move from non-renewable to renewable energy can be directly linked to the impact on the economy and workforce in the jurisdiction (see paragraph B.AG45-46).	*Based on GRI 1*
	B.AG13. Impacts may give rise to risks and opportunities to the entity. Risks and opportunities to an entity's service delivery and financial commitments may arise as it depends on resources and relationships throughout its value chain and affects those resources and relationships through its activities—contributing to the preservation, regeneration and development of those resources and relationships or to their degradation and depletion. These dependencies and impacts may give rise to climate-related risks and opportunities that could reasonably be expected to affect an entity's service delivery and financial commitments over the short, medium and long term.	*Based on IFRS S1.B2*
	B.AG14. Resources and relationships that an entity depends on and affects by its activities and outputs can take various forms, such as natural, manufactured, intellectual, human, social or financial. They can be internal—such as the	*IFRS S1.B4*

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	entity's workforce, its know-how or its organizational processes—or they can be external—such as materials and services the entity needs to access or the relationships it has with suppliers, distributors and customers. Furthermore, resources and relationships include, but are not limited to, the resources and relationships recognized as assets in the entity's financial statements.	
Paragraph B.AG15 provides guidance for entities with broader policy setting, legislative, regulatory roles	B.AG15. Impacts may also give rise to risks and opportunities to the economy, environment and people. Given the public interest role of public sector entities, an entity's responsibility may extend to the economy, environment and people, including through activities such as legislative, regulatory or policy setting. In identifying impacts, risks and opportunities, the nature of such entity's activities will generally lead to the identification of impacts, risks and opportunities to the economy, environment and people which may also become risks and opportunities for the entity. For example, an entity that has the responsibility to set building policies may or may not set technical requirements for energy-efficient design and construction. The entity's action or inaction will result in impacts, risk and opportunities to the economy, environment and people, which in turn may lead to risks such as reputational risk for the entity.	
	B.AG16. To identify impacts, risks and opportunities to an entity, the entity shall use all reasonable and supportable information available to the entity without undue cost or effort (see paragraph B.AG18-20) and seek to engage with relevant stakeholders (see paragraphs B.AG21-23).	*Based on IFRS S1.B6 and GRI 3 Step 2*
In the absence of industry or sector type guidance for the public sector, entities may look to peers in place of IFRS S1.B7.	B.AG17. Entities should consider impacts, risks and opportunities that are common to other entities with similar operations, function of government, and/or geographic location as such disclosures may be expected by users and may inform an entities materiality judgements.	
	Reasonable and supportable information	
	B.AG18. Reasonable and supportable information used by an entity in preparing its climate-related disclosures shall cover factors that are specific to the entity as well as general conditions in the external environment. In some cases—such as in identifying impacts, risks and opportunities that could reasonably be expected to affect an entity—reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions.	*IFRS S1.B8*

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	B.AG19. An entity may use various sources of data that may be both internal and external. Possible data sources include: a. The entity's risk management processes; b. Peer group experience; and c. External ratings, reports and statistics. Information that is used by the entity in preparing its financial statements, operations, setting its strategy and managing its risks and opportunities is considered to be available to the entity without undue cost or effort.	*IFRS S1.B9*
	B.AG20. An entity need not undertake an exhaustive search for information to identify climate-related impacts, risks and opportunities that could reasonably be expected to affect the entity. The assessment of what constitutes undue cost or effort depends on the entity's specific circumstances and requires a balanced consideration of the costs and efforts for the entity and the benefits of the resulting information for users. That assessment can change over time as circumstances change.	*IFRS S1.B10*
	Engagement with stakeholders	
	B.AG21. Entities should seek to engage with relevant stakeholders in identifying impacts, by consulting them directly or through their representatives and consult internal and external experts to provide input or feedback on its conclusions regarding impacts.	*Based on GRI 3 Box 2*
	B.AG22. Broad engagement with stakeholders may be challenging in cases that involve stakeholders across jurisdictions or in cases that involve impacts resulting in collective harm. For example, broad engagement may be a challenge in the case of greenhouse gas (GHG) emissions, which contribute to collective transboundary harm.	*Based on GRI 3 Box 2*
	B.AG23. In such cases, the organization may engage with credible stakeholder representatives or proxy organizations (e.g., non-governmental organizations, trade unions). For example, when considering a decision to introduce strategies to reduce production and/or consumption of fossil fuels and transition to renewable energy production, it may be important to engage with companies and trade unions to consider the employment impacts of the decision.	*Based on GRI 3 Box 2*
	B.AG24. An entity shall:	*Based on GRI 3 Disclosure*

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	(a) Describe the process it has followed to identify impacts, risks and opportunities; and **(b)** Specify the stakeholders and experts whose views have informed the entity's process of identifying impacts, risks and opportunities.	*3-1*
	Reassessment of climate-related impacts, risks and opportunities	
	B.AG25. Impacts, risks and opportunities may change over time as the entity's activities, relationships, stakeholders and sustainability context evolve. New activities, new relationships, and major changes in operations or the operating context could lead to changes in the entity's impacts, risks and opportunities. For this reason, the entity may assess its context and identify impacts, risks and opportunities on an ongoing basis.	*Based on GRI 3 Step 2 and IFRS S1.B12*
	B.AG26. At a minimum, an entity shall reassess the scope of all affected climate-related impacts, risks and opportunities throughout its value chain on the occurrence of a significant event or significant change in circumstances. A significant event or significant change in circumstances can occur without the entity being involved in that event or change in circumstances or as a result of a change in what the entity assesses to be important to users of general-purpose financial reports. For example, such significant events or significant changes in circumstances might include: a. A significant change in the entity's value chain (for example, a supplier in the entity's value chain makes a change that significantly alters the supplier's greenhouse gas emissions); b. A significant change in the entity's operations model, activities or structure (for example, a new interest in other entities, such as controlled entities, joint arrangements, or associates, that expands the entity's value chain); and c. A significant change in exposure to sustainability-related impacts, risks and opportunities (for example, an increase in frequency or severity of extreme weather events in the entity's jurisdiction that increases risks to the entity).	*Based on IFRS S1.B11*
	Materiality (see paragraphs B8-11)	
	B.AG27. Information is material if omitting, misstating or obscuring it could influence the discharge of accountability by the entity, or the decisions that primary users make on the	*Aligned with IPSASB CF 3.32*

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	basis of the entity's general purpose financial reports prepared for that reporting period.	
	B.AG28. Primary users of public sector general purpose financial reports include service recipients and their representatives, such as legislature or members of parliament who act as representatives of citizens, eligible residents and taxpayers, and resource providers and their representatives, such as multilateral or bilateral donor agencies and many lenders and corporations that provide resources to, and transact with, government. Service recipients and resource providers require information for accountability purposes that contribute to, and inform, decision making.	*Based on IPSASB CF Chapter 2*
	B.AG29. Assessing whether information could reasonably be expected to influence decisions made by primary users requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.	*IFRS S1.B16*
	B.AG30. Climate-related disclosures are prepared for primary users who have a reasonable knowledge of public sector programs and operations and who review and analyze the information diligently. At times, even well-informed and diligent users may need the aid of an adviser to understand climate-related information.	*IFRS S1.B17*
	B.AG31. Individual primary users may have different, and sometimes even conflicting, information needs and desires. Information needs of users may also evolve over time. Climate-related disclosures are intended to meet common information needs of primary users.	*IFRS S1.B18*
	Identifying material information	
	B.AG32. Materiality depends on both qualitative and quantitative information judged in the particular circumstances of each entity during the reporting period and in the future. Consequently, it is not possible to specify a uniform characteristic or set of characteristics at which a particular type of information becomes material.	*Based on IPSASB CF 3.32*
	B.AG33. To identify material information about a climate-related impact, risk or opportunity, an entity shall apply, as the starting point, the requirements of this [draft] Standard.	*IFRS S1.B20*
	B.AG34. An entity shall assess whether the information identified in applying this [draft] Standard, either individually or in combination with other information, is material in the context of the entity's climate-related disclosures taken as a whole. In assessing whether information is material, an	*IFRS S1.B21*

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	entity shall consider both quantitative and qualitative factors. For example, an entity might consider the magnitude and the nature of the effect of a climate-related impact, risk or opportunity on the entity.	
	B.AG35. An entity need not disclose information otherwise required by the [draft] Standard if the information is not material. This is the case even if the [draft] Standard contains a list of specific requirements.	*IFRS S1.B25*
In the absence of industry or sector type guidance for the public sector, entities may look to peers in place of IFRS S1.B20.	B.AG36. Though materiality judgements are specific to an entity, entities should consider disclosures provided by peers as a check or test of completeness of disclosures. For example, if an entity is not exposed to a risk to which other peer entities are exposed, the lack of exposure to that particular risk could also be material information.	
Additional requirements for public sector entities particularly facing resource constraints and limitations	B.AG37. If an entity determines it may not be possible to provide sufficient information to meet the requirements of disclosures that are material (e.g., resourcing constraints, availability of expertise, capacity limitations, legislative or regulatory constraints, significant uncertainty, etc.), the reporting entity should explain in enough detail for the user to understand why it may not be possible to provide disclosure or, in rare circumstances, why the cost may outweigh the benefits, and the steps being taken and expected time frame to obtain the information and begin providing such disclosure.	
	Qualitative judgements in materiality	
Additional guidance for considerations relating to qualitative information	B.AG38. An entity generally assesses whether information is quantitatively material by considering the amount and size of the transaction against measures of the entity's financial position, financial performance and cash flows. For example, the anticipated expenses to develop green infrastructure may be of such a size it could reasonably be expected to influence decisions that users make on the basis of that information.	
Additional guidance for considerations relating to qualitative information	B.AG39. However, an item of information could reasonably be expected to influence users' decisions and assessment of accountability regardless of size. For example, greenhouse gas (GHG) emissions may be considered a proxy for exposure to transition risk, and so be expected to influence an entity's users' decisions regardless of the size of those emissions. Another example is the lack of processes, such as the lack of climate-related reporting processes, could be material information.	
	B.AG40. In determining material information about climate-related	*Based on GRI 3 Step*

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	impacts, an entity should consider the significance and severity of impacts such as the magnitude of effects on climate change rather than only the magnitude of effects on the entity's own finances. UN Guiding Principles on Business and Human Rights provides a reporting framework for assessing significance of impacts: a. The significance of an actual negative impact is determined by the severity of the impact. The significance of a potential negative impact is determined by the severity and likelihood of the impact. The severity of an actual or potential negative impact is determined by the following characteristics: i. Scope: how widespread the impact is, for example, in the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the number of individuals affected or the extent of environmental damage. ii. Scale: how grave the impact is. iii. Irremediable character: how hard it is to counteract or make good the resulting harm. Any of the three characteristics (scale, scope, and irremediable character) can make an impact severe. But it is often the case that these characteristics are interdependent: the greater the scale or the scope of an impact, the less remediable it is. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood. b. The significance of an actual positive impact is determined by the scale and scope of the impact. The significance of a potential positive impact is determined by the scale and scope as well as the likelihood of the impact.	*3*
Additional guidance for considerations relating to qualitative information	B.AG41. Information about a single risk may not be material on an individual basis, but similar risks may be material when taken in aggregate. For example, an entity might be exposed to several climate-related risks, each of which could cause the same type of disruption (such as disruptions to the entity's supply chain). Information about	

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	an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk—the risk of supply chain disruption from all sources—might be material.	
	Potential future impacts, risks and opportunities	
	B.AG42. An entity must consider the context in which it operates when making materiality judgements, and in respect of prospective information, the preparer's knowledge and expectations about the future.	
	B.AG43. In assessing the possible future events and likelihood of events, an entity should consider the range of possible outcomes and the likelihood within that range and all pertinent facts and circumstances. Information about a possible future event is more likely to be judged as being material if the potential effects are significant and the event is likely to occur. However, an entity shall also consider whether information about low-probability and high-severity outcomes might be material either individually or in combination with information about other low-probability and high-severity outcomes.	*Based on IFRS S1.B22-B23*
	B.AG44. If a possible future event is expected to affect an entity's service delivery and financial commitments, but only many years in the future, information about that event is usually less likely to be judged material than information about a possible future event with similar effects that are expected to occur sooner. However, in some circumstances, an item of information could reasonably be expected to influence users' decisions regardless of the magnitude of the potential effects of the future event or the timing of that event. For example, this might happen if information about a particular risk or opportunity is highly scrutinized by users of an entity's general purpose financial reports.	*Based on IFRS S1.B24*
Additional guidance for disclosing opportunities	B.AG45. When reporting on opportunities, the entity should consider the materiality of the information to be disclosed. In this context, it shall consider, among other factors: a. Whether the opportunity is currently being pursued as part of its approved strategy, as opposed to a general opportunity for the entity; and b. Whether the inclusion of quantitative measures of financial effects is appropriate, taking into account the number of assumptions that it could require and consequential uncertainty.	
	Material impacts or risks arising from actions to address climate-	

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	related matters	
Additional guidance for public sector given broad reach of and unique public sector role	B.AG46. The entity's materiality assessment process may lead to the identification of situations in which its actions to address certain impacts or risks, or to benefit from certain opportunities, might cause or contribute to material negative impacts or risks to the economy, environment or people. This may be especially common for public sector entities that have a legislative, policy setting or regulatory role. For example, an action plan to move towards renewable energy sources might lead to negative impacts on the jurisdiction's oil and gas industry workforce.	
Additional public sector specific requirement relating to B.AG45	B.AG47. In such situations, the entity shall: a. Disclose the existence of material negative impacts or material risks together with the actions that generate them; and b. Provide a description of how the material negative impacts or material risks are addressed.	
	Interaction with law or regulation	
	B.AG48. Law or regulation might specify requirements for an entity to disclose climate-related information in its general purpose financial reports. In such circumstances, the entity is permitted to include in its climate-related disclosures information to meet legal or regulatory requirements, even if that information is not material. However, such information shall not obscure material information.	*IFRS S1.B31*
	B.AG49. An entity shall disclose material climate-related financial information, even if law or regulation permits the entity not to disclose such information.	*IFRS S1.B32*
	B.AG50. An entity need not disclose information otherwise required by this [draft] Standard if law or regulation prohibits the entity from disclosing that information. If an entity omits material information for that reason, it shall identify the type of information not disclosed and explain the source of the restriction.	*IFRS S1.B33*
	Classified and sensitive information	
	B.AG51. If an entity determines that a specific piece of climate-related information is classified and sensitive in the limited circumstances described in paragraph B.AG52, the entity is permitted to omit that information from its climate-related disclosures. Such an omission is permitted even if information is otherwise required by this [draft] Standard	*Based on IFRS S1.B34*

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	and the information is material.	
	B.AG52. An entity qualifies for the exemption specified in paragraph B.AG51 if, and only if: a. The climate-related information is not already publicly available; and b. The climate-related information has been subject to reasonable steps by the entity to keep it from being readily accessible to persons that normally deal with the kind of information in question.	*Based on IFRS S1.B35*
	B.AG53. If an entity elects to use the exemption specified in paragraph B.AG51, the entity shall, for each item of information omitted: a. disclose the fact that it has used the exemption; and b. reassess, at each reporting date, whether the information qualifies for the exemption.	*Based on IFRS S1.B36*
	B.AG54. An entity is prohibited from using the exemption specified in paragraph B.AG51 as a basis for broad non-disclosure of climate-related information.	*Based on IFRS S1.B37*
	Reporting material information	
	B.AG55. An entity should report information in a concise way and aggregate information where useful without omitting necessary details. An entity should consider the appropriate level of aggregation or disaggregation, for example, by geographical location, by nature or by function, in light of all relevant facts and circumstances.	*Based on and GRI*
	B.AG56. An entity should not obscure material information. Information is obscured if it is communicated in a way that would have a similar effect for primary users to omitting or misstating that information. Examples of circumstances that might result in material information being obscured include: a. Material information is not clearly distinguished from additional information that is not material; b. Material information is disclosed in the climate-related disclosures, but the language used is vague or unclear; c. Material information about a climate-related risk or opportunity is scattered throughout the sustainability-related disclosures; d. Items of information that are dissimilar are inappropriately aggregated;	*IFRS S1.B27*

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	e. Items of information that are similar are inappropriately disaggregated; and f. The understandability of the climate-related disclosures is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.	
	B.AG57. An entity shall reassess its materiality judgements at each reporting date to take account of changed circumstances and assumptions. Because of changes in the entity's individual circumstances, or in the external environment, some types of information included in an entity's climate-related disclosures for prior periods might no longer be material. Conversely, some types of information not previously disclosed might become material.	*IFRS S1.B28*
	Aggregation and disaggregation	
	B.AG58. When an entity applies this [draft] Standard, it shall consider all facts and circumstances and decide how to aggregate and disaggregate information in its climate-related disclosures. The entity shall not reduce the understandability of its climate-related disclosures by obscuring material information with immaterial information or by aggregating material items of information that are dissimilar to each other.	*IFRS S1.B29*
	B.AG59. An entity shall not aggregate information if doing so would obscure information that is material. Information shall be aggregated if items of information have shared characteristics and shall not be aggregated if they do not have shared characteristics. The entity might need to disaggregate information about climate-related impacts, risks and opportunities, for example, by geographical location or in consideration of the geopolitical environment.	*Based on IFRS S1.B30*
	Reporting entity and connected information (paragraph B12-B17)	
	B.AG60. Climate-related disclosures should be reported for the same reporting entity as the related general purpose financial statements. This enables users of general purpose financial reports to understand the effects of climate-related impacts, risks and opportunities on the reporting entity's finances.	*IFRS S1.B38*
	B.AG61. Paragraph B12 requires an entity to provide information in a manner that enables users of general purpose financial reports to understand connections both between the items	*IFRS S1.B39*

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	to which the information relates and between disclosures provided by the entity in its general purpose financial reports.	
	B.AG62. Connected information provides insight into connections between the items to which the information relates. For example: a. If an entity pursued a particular climate-related opportunity and that resulted in an increase in the entity's revenue, connected information will depict that relationship between the entity's strategy and its financial performance; b. If an entity identified a trade-off between two climate-related risks it is exposed to and took action on the basis of its assessment of that trade-off, connected information will depict the relationship between those risks and the entity's strategy; and c. If an entity committed to a particular climate-related target, but that commitment has not yet affected the entity's financial position or financial performance because the applicable recognition criteria have not been met, connected information will depict that relationship.	*IFRS S1.B40*
	B.AG63. Connected information includes: a. Connections between various types of information about a particular climate-related impact, risk or opportunity, such as: i. Between disclosures on governance, strategy and impact and risk management; and ii. Between narrative information and quantitative information (including related metrics and targets and information in the related financial statements). b. Connections between disclosures about various climate-related impacts, risks and opportunities. For example, if an entity integrates its oversight of climate-related impacts, risks and opportunities, the entity shall integrate the disclosures on governance instead of providing separate disclosures on governance for each climate-related impact, risk and opportunity.	*IFRS S1.B41*
	B.AG64. Drawing connections between disclosures involves, but is not limited to, providing necessary explanations and	*IFRS S1.B42*

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	cross-references and using consistent data, assumptions, and units of measure. In providing connected information, an entity shall: a. Explain connections between disclosures in a clear and concise manner; and b. Disclose information about significant differences between the data and assumptions used in preparing the entity's climate-related disclosures and the data and assumptions used in preparing the related financial statements.	
	B.AG65. For example, in providing connected information an entity might need to explain the effect or likely effect of its strategy on its financial statements and financial planning, or explain how that strategy relates to the metrics the entity uses to measure progress against targets. Another entity might need to explain how its use of natural resources or changes within its supply chain could amplify or, in contrast, reduce its climate-related impacts, risks and opportunities. The entity might need to link the information about its use of natural resources or changes within its supply chain to information about current or anticipated financial effects, its strategic response to mitigate those risks and its related investment in new assets. The entity might need to link narrative information to the related metrics and targets and to information in the related financial statements.	*IFRS S1.B43*
	B.AG66. Other examples of connected information include: a. An explanation of the combined effects of the entity's climate-related impacts, risks and opportunities and its strategy on its service delivery and financial commitments over the short, medium and long term. For example, an entity might face decreasing demand for its products because of consumer preferences for lower-carbon alternatives. The entity might need to explain how its strategic response, such as transitioning to electric buses effects the useful lives of its assets and on impairment assessments. b. A description of the alternatives that an entity evaluated in setting its strategy in response to its climate-related impacts, risks and opportunities, including a description of the trade-offs between those risks and opportunities that the entity considered (see [Note to draft: paragraph number to be confirmed	*IFRS S1.B44*

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	following drafting of strategy section]). For example, an entity might need to explain the potential effects of its policies to transition to renewable energy, in response to a climate-related risks on local communities.	

Appendix C: Qualitative Characteristics

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	This Appendix is an integral part of [draft] IPSASB ED SRS X.	
	Introduction	
	C1. The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) was issued by the International Public Sector Accounting Standards Board (IPSASB). It describes the objective of, and the concepts that apply to, general purpose financial reporting by public sector entities. One purpose of the Conceptual Framework is to assist the IPSASB to develop International Public Sector Accounting Standards (IPSAS) for preparing financial statements based on consistent concepts.	*Based on IFRS S1.D1*
	C2. Climate-related disclosures are part of general purpose financial reports. The qualitative characteristics in the Conceptual Framework, therefore, apply to climate-related financial information. However, the nature of some of the information required to meet the objective of this [draft] Standard (see paragraphs 1-2) differs in some respects from the information provided in financial statements.	*Based on IFRS S1.D2*
	C3. Climate-related information is useful if it has the qualitative characteristics of relevance, faithful representation, understandability, timeliness, comparability and verifiability.	*Based on IFRS S1.D3 and IPSASB CF*
	Qualitative characteristics of useful climate-related information	
	Relevance	
	C4. Climate-related information is relevant if it is capable of making a difference in achieving the objectives of reporting, that is for accountability and decision-making purposes. Information may be capable of making a difference, and thus be relevant, even if some users choose not to take advantage of it or are already aware of it from other sources. It is capable of making a difference in decisions or evaluation of accountability by users if it has confirmatory value, predictive value, or both.	*Based on IPSASB CF 3.6-3.7*
	C5. Climate-related information has confirmatory value if it confirms or changes past (or present) expectations.	*IPSASB CF 3.7*
	C6. Climate-related information has predictive value in helping form expectations about the future. Climate-related information need not be a prediction or forecast to have predictive value. For example, information about water quality, which can include information about the water being polluted, could inform the expectations of users about the ability of an	*Based on IPSASB CF 3.7 and IFRS S1.D5*

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	entity to meet local water-quality requirements.	
	C7. The confirmatory and predictive roles of information are interrelated—for example, information for the current year about greenhouse gas emissions, which can be used as the basis for predicting greenhouse gas emissions in future years, can also be compared with predictions about greenhouse gas emissions for the current year that were made in past years. The results of those comparisons can help a user to correct and improve the processes that were used to make those previous predictions.	*Based on IPSASB CF 3.8 and IFRS S1.D7*
	Faithful representation	
	C8. To be useful, climate-related information must faithfully represent the substance of the phenomena that it purports to represent. To be a faithful representation, a depiction would be complete, neutral and free from material error.	*IPSASB CF 3.10*
	C9. In practice, it may not be possible to know or confirm whether information presented is complete, neutral, and free from material error. However, information should be as complete, neutral, and free from error as is possible.	*IPSASB CF 3.11*
	C10. An omission of some information can cause the representation of a phenomenon to be false or misleading, and thus not useful to users. A complete depiction of a climate-related impact, risk or opportunity includes all material information necessary for primary users to understand that impact, risk or opportunity.	*Based on IPSASB CF 3.12 and IFRS S1.D11*
	C11. Neutrality in reporting is the absence of bias. It means that the selection and presentation of climate-related information is not made with the intention of attaining a particular predetermined result—for example, to influence in a particular way users' assessment of the discharge of accountability by the entity or a decision or judgment that is to be made, or to induce particular behavior.	*IPSASB CF 3.13*
	C12. Neutral information faithfully represents the phenomena that it purports to represent. However, to require information included in GPFRs to be neutral does not mean that it is not without purpose or that it will not influence behavior. Relevance is a qualitative characteristic and, by definition, relevant information is capable of influencing users' assessments and decisions. Some climate-related information—for example, targets or plans—is aspirational. A	*IPSASB CF 3.14 and IFRS S1.D13*

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	neutral discussion of such matters covers both aspirations and the factors that could prevent an entity from achieving these aspirations.	
	C13. Neutrality is supported by the exercise of prudence. Prudence is the exercise of caution when making judgements under conditions of uncertainty. The exercise of prudence means that positive impacts or opportunities are not overstated and negative impacts or risks are not understated. Equally, the exercise of prudence does not allow for the understatement of positive impacts or opportunities or the overstatement of negative impacts or risks.	*Based on IPSASB CF 3.14A*
	C14. The exercise of prudence does not imply a need for asymmetry; for example, a systematic need for more persuasive evidence to support disclosure of climate-related risks than opportunities. Particular standards may contain asymmetric requirements where there is a consequence of decisions intended to select the most relevant information that faithfully represents what it purports to represent.	*IPSASB CF 3.1B*
	C15. The phenomena represented in GPFRs generally occur under conditions of uncertainty. Information included in GPFRs will therefore often include estimates that incorporate management's judgment. To faithfully represent phenomenon, an estimate must be based on appropriate inputs, and each input must reflect the best available information. Caution will need to be exercised when dealing with uncertainty. It may sometimes be necessary to explicitly disclose the degree of uncertainty in climate-related information to faithfully represent the phenomena.	*IPSASB CF 3.15*
	C16. Free from material error does not mean complete accuracy in all respects. Free from material error means there are no errors or omissions that are individually or collectively material in the description of the phenomenon, and the process used to produce the reported information has been applied as described. In some cases, it may be possible to determine the accuracy of some information —for example, the governance and impact and risk management practices of the entity. However, in other cases it may not—for example, the accuracy of an estimate of Scope 3 greenhouse gas emissions. In these cases, the estimate will be free from material error if the amount is clearly described as an estimate, the nature and limitations of the estimation process are explained, and no material errors have been identified in selecting and applying an appropriate process for developing	*IPSASB CF 3.16*

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	the estimate.	
	Understandability	
	C17. Climate-related financial information shall be clear and concise. For climate-related financial disclosures to be concise, they need: (c) To avoid generic information, sometimes called 'boilerplate', that is not specific to the entity; (d) To avoid duplication of information in the general purpose financial reports, including unnecessary duplication of information also provided in the related financial statements; and (e) To use clear language and clearly structured sentences and paragraphs.	*IFRS S1.D26*
	C18. The clearest form a disclosure can take will depend on the nature of the information and might include tables, graphs or diagrams in addition to narrative text. If graphs or diagrams are used, additional text or tables might be necessary to avoid obscuring material detail.	*IFRS S1.D27*
	C19. Clarity might be enhanced by distinguishing information about developments in the reporting period from 'standing' information that remains unchanged, or changes little, from one period to the next—for example, by separately describing features of an entity's climate-related governance and risk management processes that have changed since the previous reporting period.	*IFRS S1.D28*
	C20. Disclosures are concise if they include only material information. Any immaterial information included shall be provided in a way that avoids obscuring material information.	*IFRS S1.D29*
	C21. Some climate-related information may be particularly complex and might be difficult to present in a manner that is easy to understand. All efforts should be undertaken to represent the information in a manner that is understandable to a wide range of users. However, information should not be excluded from climate-related disclosures solely because it may be too complex or difficult for some users to understand without assistance.	*Based on IPSASB CF 3.18*
	C22. Understandability is enhanced when information is classified,	*IPSASB CF 3.17 and IFRS*

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	characterized, and presented clearly and concisely. Comparability also can enhance understandability. The completeness, clarity and comparability of climate-related financial information all rely on information being presented as a coherent whole. For climate-related financial information to be coherent, it shall be presented in a way that explains the context and the connections between the related items of information.	*S1.D31*
	C23. If climate-related information located in one part of an entity's general purpose financial reports have implications for information disclosed in other parts, the entity shall include the information necessary for users to assess those implications.	*IFRS S1.D32*
	C24. Coherence also requires an entity to provide information in a way that allows users to relate information about its climate-related impacts, risks and opportunities to information in the entity's financial statements.	*IFRS S1.D33*
	Timeliness	
	C25. Timeliness means having information available for users before it loses its capacity to be useful for accountability and decision-making purposes. Having relevant information available sooner can enhance its usefulness as input to assessments of accountability and its capacity to inform and influence decisions that need to be made. A lack of timeliness can render information less useful.	*IPSASB CF 3.19*
	Comparability	
	C26. Comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Comparability is not a quality of an individual item of information, but rather a quality of the relationship between two or more items of information.	*IPSASB CF 3.21*
	C27. Comparability differs from consistency. Consistency refers to the use of the same approaches and basis of preparation of sustainability-related information, either from period to period within an entity or in a single period across more than one entity. Comparability is the goal, and consistency helps in achieving that goal. In some cases, the approaches or methodologies adopted by an entity may be revised to better represent particular climate-related information. In these cases, the inclusion of additional disclosures or explanation may be necessary to satisfy the characteristics of comparability.	*IPSASB CF 3.22*

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	C28. Comparability also differs from uniformity. For information to be comparable, like things must look alike and different things must look different. An over-emphasis on uniformity may reduce comparability by making unlike things look alike. Comparability of climate-related information is not enhanced by making unlike things look alike, any more than it is by making like things look different.	*IPSASB CF 3.23*
	Verifiability	
	C29. Verifiability is the quality of information that helps to give users confidence that information faithfully represents the phenomena that it purports to represent. The characteristic implies that different knowledgeable and independent observers could reach general consensus, although not necessarily complete agreement, that either:	*Based on IPSASB CF 3.26 and IFRS S1.D21*
	C30. The information represents the phenomena that it purports to represent without material error or bias; or	*IPSASB CF 3.26*
	C31. An appropriate recognition, measurement, or representation method has been applied without material error or bias.	*IPSASB CF 3.26*
	C32. To be verifiable, information need not be a single point estimate. A range of possible amounts and the related probabilities also can be verified.	*IPSASB CF 3.27*
	C33. The quality of verifiability is not an absolute—some information may be more or less capable of verification than other information. However, the more verifiable the information is, the more it will helps to give users confidence that the information faithfully represents the phenomena that it purports to represent. Climate-related financial information can be more verifiable by, for example: a. Including information that can be corroborated by comparing it with other information available to primary users about an entity's operations, about other entities with similar activities or operations, or about the external environment in which the entity operates; b. Providing information about inputs and methods of calculation used to produce estimates or approximations; and	*IPSASB CF 3.29 and IFRS S1.D23*

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	c. Providing information reviewed and agreed by the entity's governing bodies, committees or equivalent.	
	C34. Some climate-related information may include financial and other quantitative information and explanations about the anticipated future effects or outcomes, or prospective financial and non-financial information. It may not be possible to verify the accuracy of all quantitative representations and explanations of such information until a future period, if at all.	*IPSASB CF 3.30*
	C35. To help give confidence to users that prospective financial and non-financial information and explanations faithfully represents the phenomena that they purport to represent, the assumptions that underlie the information disclosed, the methodologies adopted in compiling that information, and the factors and circumstances that support any opinions expressed or disclosures made should be transparent. This will enable users to form judgments about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.	*IPSASB CF 3.31 and IFRS S1.D21*
	Constraints on Information Included in General Purpose Financial Reports	
	Materiality	
	C36. Information is material 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. Materiality depends on both the nature and magnitude of the item judged in the particular circumstances of each entity.	*IPSASB CF 3.32*
	C37. Assessments of materiality will be made in the context of the legislative, institutional and operating environment within which the entity operates and, in respect of prospective financial and non-financial information, the preparer's knowledge and expectations about the future. Disclosure of information about compliance or non-compliance with legislation, regulation or other authority may be material because of its nature—irrespective of the magnitude of any amounts involved. In determining whether an item is material in these circumstances, consideration will be given to such matters as the nature, legality, sensitivity and consequences of past or anticipated transactions and events, the parties	*IPSASB CF 3.33*

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	involved in any such transactions and the circumstances giving rise to them.	
	C38. Materiality is classified as a constraint on information included in GPFRs in the IPSASB Conceptual Framework. In developing the [draft] Standard, the IPSASB will consider the materiality of the consequences of disclosure requirements of a particular item or type of information. Subject to the requirements of the [draft] Standard, entities preparing climate-related disclosures will also consider the materiality of the separate disclosure of particular items of information.	*IPSASB CF 3.34*
	Cost-Benefit	
	C39. Reporting climate-related information imposes costs. The benefits of reporting should justify those costs. Assessing whether the benefits of providing information justify the related costs is often a matter of judgment, because it is often not possible to identify and/or quantify all the costs and all the benefits of information included in GPFRs.	*IPSASB CF 3.35*
	C40. The costs of providing information include the costs of collecting and processing the information, the costs of verifying it and/or presenting the assumptions and methodologies that support it, and the costs of disseminating it. Users incur the costs of analysis and interpretation. Omission of useful information also imposes costs, including the costs that users incur to obtain needed information from other sources and the costs that result from making decisions using incomplete data provided by GPFRs.	*IPSASB CF 3.36*
	C41. Preparers expend the majority of the effort to provide climate-related information. However, service recipients and resource providers ultimately bear the cost of those efforts—because resources are redirected from service delivery activities to preparation of information for inclusion in GPFRs.	*IPSASB CF 3.37*
	C42. Users reap the majority of benefits from the climate-related information. However, sustainability-related information may also be used internally by management and result in better decision making by management. The disclosure of climate-related information consistent with this [draft] Standard will enhance and reinforce perceptions of the transparency of climate reporting by governments and other public sector entities and contribute to the more accurate pricing of public sector debt. Therefore, public sector entities may also benefit in a number of ways from climate reporting.	*IPSASB CF 3.38*

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	C43. Application of the cost-benefit constraint involves assessing whether the benefits of reporting information are likely to justify the costs incurred to provide and use the information. When making this assessment, it is necessary to consider whether one or more qualitative characteristic might be sacrificed to some degree to reduce cost.	*IPSASB CF 3.39*
	C44. In developing this [draft] Standard, the IPSASB considers information from preparers, users, academics, and others about the expected nature and quantity of the benefits and costs of the proposed requirements. Disclosure requirements which result in the presentation of climate-related information useful to users for accountability and decision-making purposes and satisfy the qualitative characteristics are prescribed by this [draft] Standard when the benefits of compliance with those disclosures requirements are assessed by the IPSASB to justify their costs.	*IPSASB CF 3.40*
	Balance Between the Qualitative Characteristics	
	C45. The qualitative characteristics work together to contribute to the usefulness of information. For example, neither a depiction that faithfully represents an irrelevant phenomenon, nor a depiction that unfaithfully represents a relevant phenomenon, results in useful information. Similarly, to be relevant, information must be timely and understandable.	*IPSASB CF 3.41*
	C46. In some cases, a balancing or trade-off between qualitative characteristics may be necessary to achieve the objectives of climate-related reporting. The relative importance of the qualitative characteristics in each situation is a matter of professional judgment. The aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of climate reporting.	*IPSASB CF 3.42*

Basis for Conclusions

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	This Basis for Conclusions accompanies, but is not part of, [draft] IPSASB ED SRS X. **Note: This drafting of Basis of Conclusions is not complete. Drafted bullets are placeholders for consideration and will be formally drafted and updated based on Board discussions.**	
	Introduction and Overview	
	BC1. Following the World Bank's call in its January 2022 report for the IPSASB to seek support for developing much needed public sector sustainability reporting standards, IPSASB began its work in sustainability reporting by issuing CP in May 2022. BC2. Following the receipt of strong support for the IPSASB to develop public sector sustainability, IPSASB decided to prioritize climate as first priority topic and approved climate project brief in June 2023. BC3. In response to the CP, respondents emphasized the need for a multi-stakeholder approach to reporting to fully address needs of public sector users and the broad impacts that public sector entities have. BC4. Respondents also supported leveraging private sector guidance (a) Need to be interoperable and speak common language with private sector guidance as public and private entities contribute collectively to climate action and enable sharing of information for better decision making and (b) To develop public sector standard with greater speed given urgency. BC5. The IPSASB reflected on the approach to developing sustainability standards and developed a framework to draw from the following primary sources – (a) CP and feedback from constituents would drive the principles and needs for public sector sustainability reporting; (b) IPSAS CF provides key public sector concepts for public sector reporting (e.g. includes GPFRs and non-financial information. Same users and objective for decision making and accountability); (c) International standards: (i) IFRS S1 and S2 which was supported by respondents; given international applicability, importance for alignment of reporting since (i) value chains across public and private sector reporting intersect and (ii) investors are also signfiicant public sector users	

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	(sovereign bonds 40% of bond market) and will support effective capital allocation towards climate solutions; also aligns with financial reporting practice and concepts which supports connectivity with financial reporting, (ii) GRI Standards which was supported by respondents; well established history and suite of standards, internationally applicable, takes multistakeholder approach, beyond investors. BC6. Objective – includes aim that the purpose of reporting is to influence decisions and change behaviors to support global action to combat climate change. Reporting is not an aim in and of itself, but to affect change and action. BC7. Scope (a) Includes impacts, risks and opportunities – inter-related concepts. Impacts generally give rise to risks and opportunities. However, there may be circumstances where the relationship is not readily linked or identifiable but should not deter an entity from disclosing if it is otherwise determined to be material information. For example, forest fire in a rural, uninhabited area may not pose an immediate risk and uncertain future possibilities, but should be considered in scope and assessing material information for disclosure. (b) Address entity's service delivery and financial commitments – for public sector, risks and opportunities extend beyond cash flows, access to and cost of capital; should include service delivery as well as financial commitments which contribute to fiscal sustainability aligned with RPG 1. BC8. Definitions (a) Definitions are generally based on S1 and S2, as well as relevant GRI definitions, with modifications for public sector and alignment with CF. (b) Impacts - Includes economy, environment and people – aligned with 3 pillars of sustainable development per Brundtland report, and also consistent with 6 capitals of Integrated Reporting (c) Operational model – not to be confused with operating model, or part of a business model in private sector. For public sector, this should also extend to regulatory and policy setting activities. (d) Value chain – relevance and applicability translates to public sector which also has upstream and downstream	

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	entities/activities, and must consider the consumption of services/goods and end of life treatment of goods or assets in the same way as private sector. E.g. Defense consideration of sourcing and end of life treatment of aircraft; or health care equipment in hospitals. In addition, should consider the policy setting and regulatory activities of public sector. BC9. Conceptual Foundations – needed to provide framework requirements for climate reporting. Leverage IFRS S1 but focused on climate only as this is the first IPSASB SRS. Will reevaluate and consider for broader sustainability reporting in the future with the initiation of subsequent projects. BC10. Fair presentation – builds on CF and IPSAS 1. No separate sustainability CF but is aligned and adaptable for sustainability reporting. Critical in sustainability reporting that information is neutral, presented in an unbiased way, not giving more weight to positive impacts and opportunities compared to negative impacts and risks. BC11. Qualitative characteristics – leverages the IPSASB CF addresses financial and non-financial information in GPFRs and applies well for sustainability reporting, however the CF is non-authoritative, so it was important to bring in to this guidance. BC12. Steps to determining material information (a) Understand the entity's context (b) Identifying impacts, risks and opportunities (c) Determine material information BC13. Identifying Impacts, Risks and Opportunities (a) Approach is built on IFRS S2 and GRI 3; public sector may leverage existing guidance and practices in the sustainability reporting field for identifying impacts, risks and opportunities – key principle to align to have common language and concepts. (b) Importance of considering broader impacts for public sector; inside-out, outside-in, direct, indirect and sustainability context (3 pillars of sustainable development, internationally accepted agreements and guidelines to improve comparability and consistency across jurisdictions) (c) Important to understand the relationship between impacts, risks and opportunities - Impacts have a broad nature which relates to the economy, environment and people and while risks and opportunities are focused on those on the entity. (d) For reporting, entities report on what they can control, and the scope should be limited to risks and opportunities relating	

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	to the entity though they do have to identify and consider broader impacts. (e) However, especially for public sector entities with a broader remit or responsibility for the economy, environment and people, such as those with legislative, policy setting and regulatory roles, including those that set tax policy and/or subsidy or incentive programs, they may also need to consider the risks and opportunities to the economy, environment and people which will likely give rise to risks and opportunities to the entity as well. BC14. Materiality (a) Aligned definition with IPSASB CF – broad definition of users and objectives aligns with sustainability reporting; supports connectivity with financial reporting (b) Acknowledge ongoing global debate on double vs. single materiality. However, believe both are meant to address user needs and whether more or less explicitly includes impacts of an entity. Focus should be on the broader view of information that influences decisions of users. (c) Guidance needed to support assessment of materiality as it applies for sustainability reporting where information may differ significantly from traditional information, such as judgments relating to qualitative information and prospective future information. BC15. Proportionality – public sector entities range in capacity and resource availability. Sustainability reporting is a journey and so need to consider the maturity level in reporting should not deter entities from reporting. Included reasonable and supportable information concepts similar to IFRS S1 and S2, and additional guidance in Appendix B.AG. Will also provide transitional relief.	