

# SUSTAINABILITY CLIMATE- RELATED DISCLOSURES

IPSASB Meeting – June 2024

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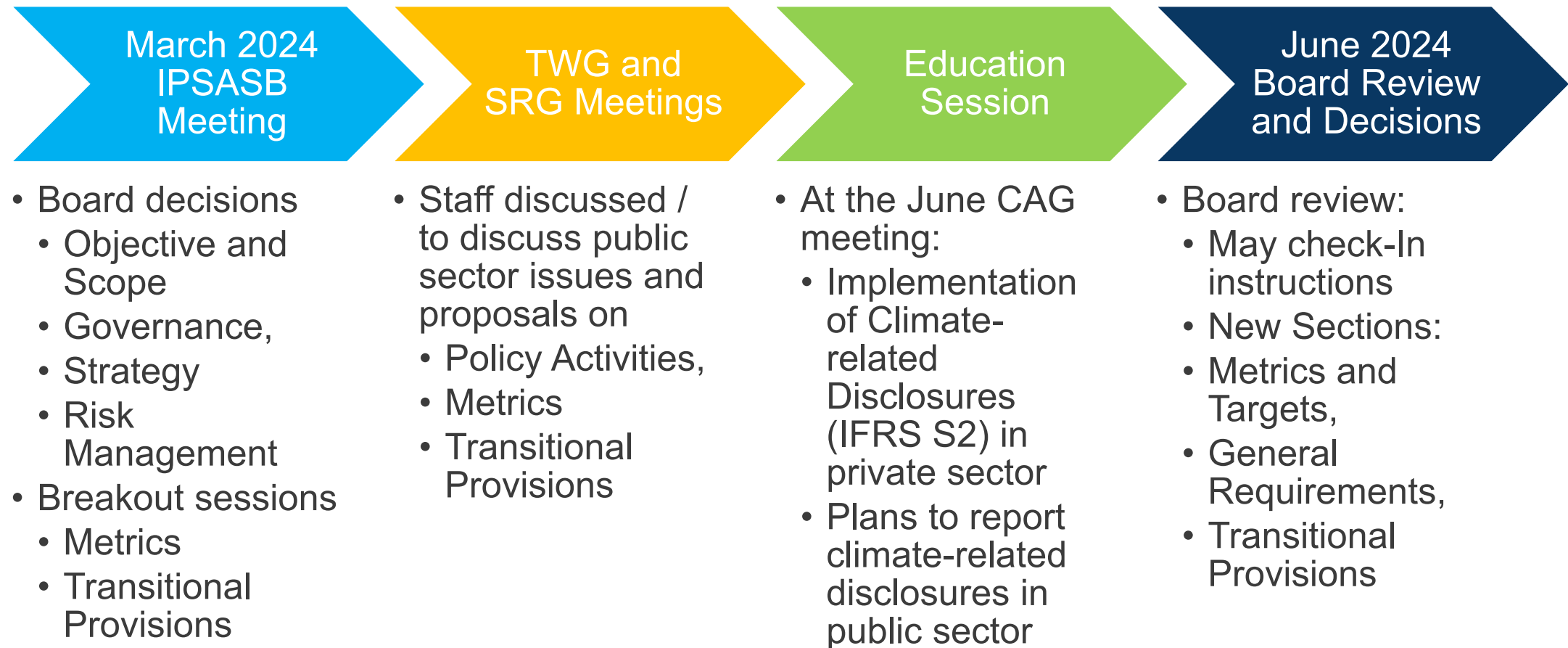
Toronto, Canada



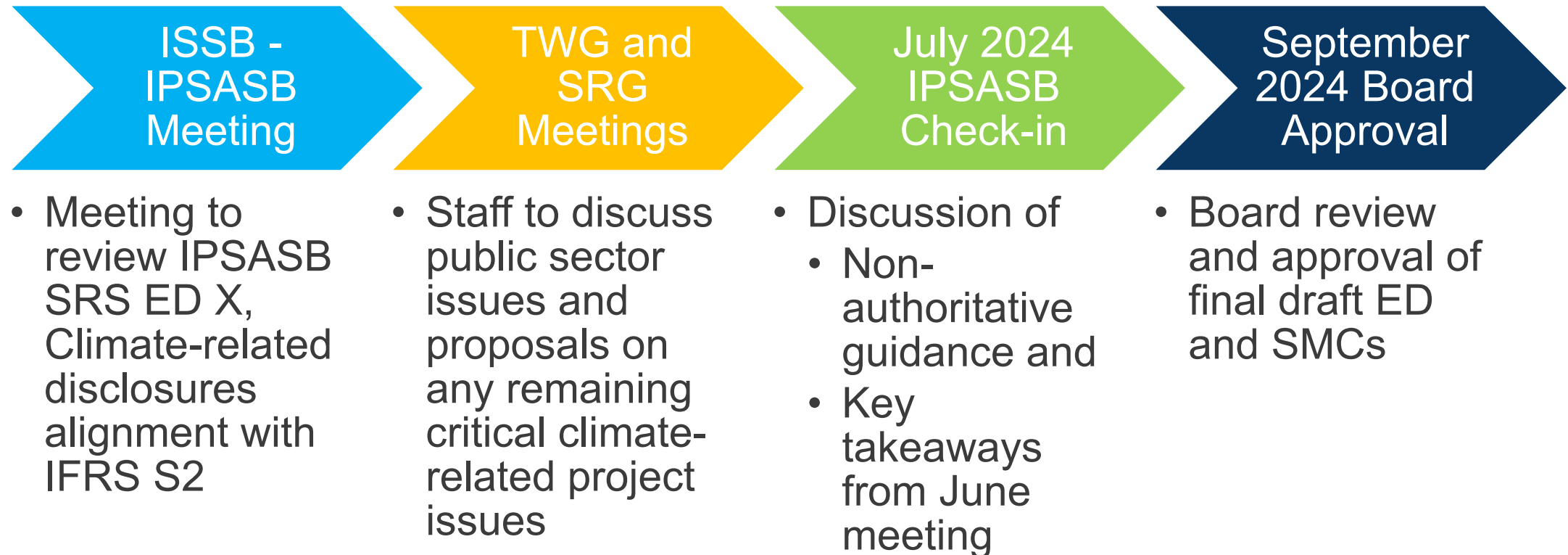
# AGENDA

- 1. Project Management and Next Steps**
- 2. Instructions from May check-in**
- 3. Metrics for Climate-related Policy Activities**
- 4. Metrics for Entity's Own Operations**
- 5. Transition**
- 6. General Requirements**

# Project Management Process

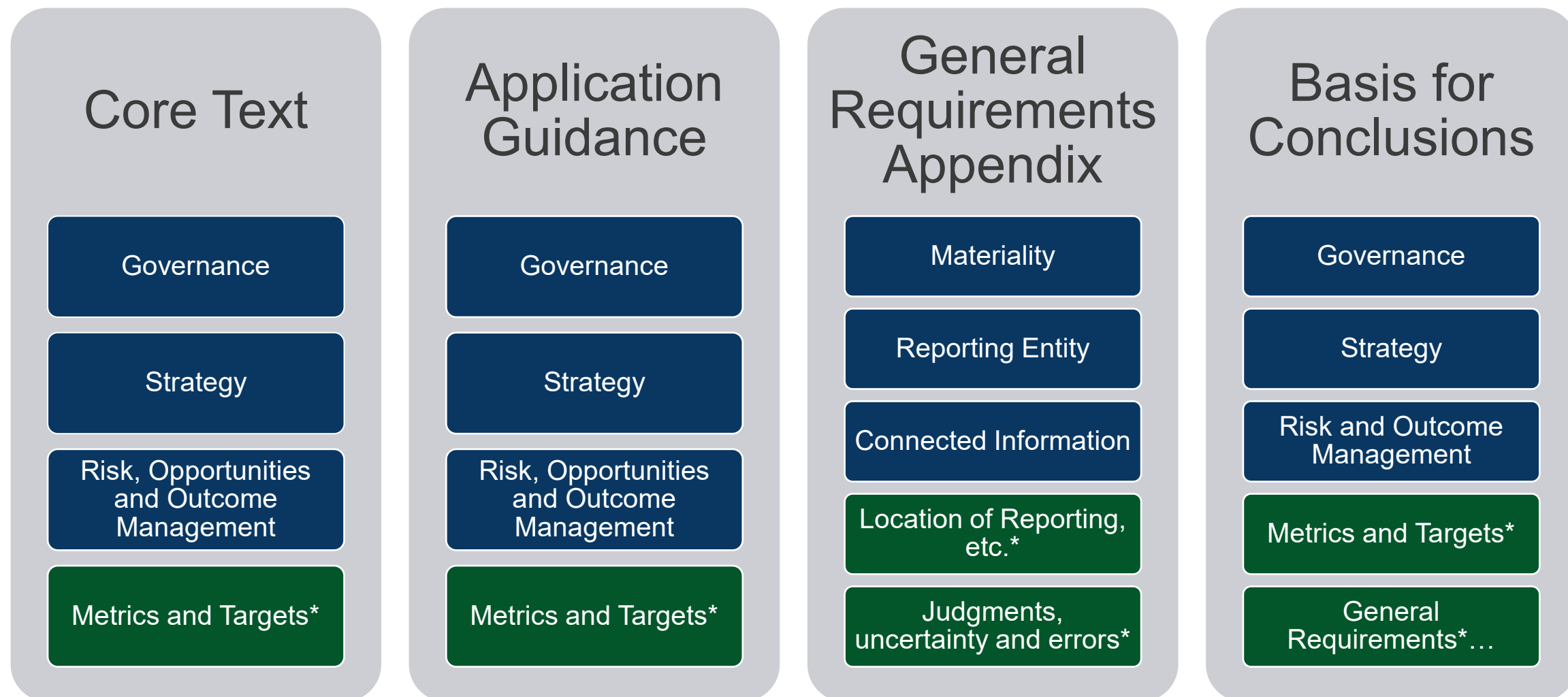


# Project Management Process – Next Steps



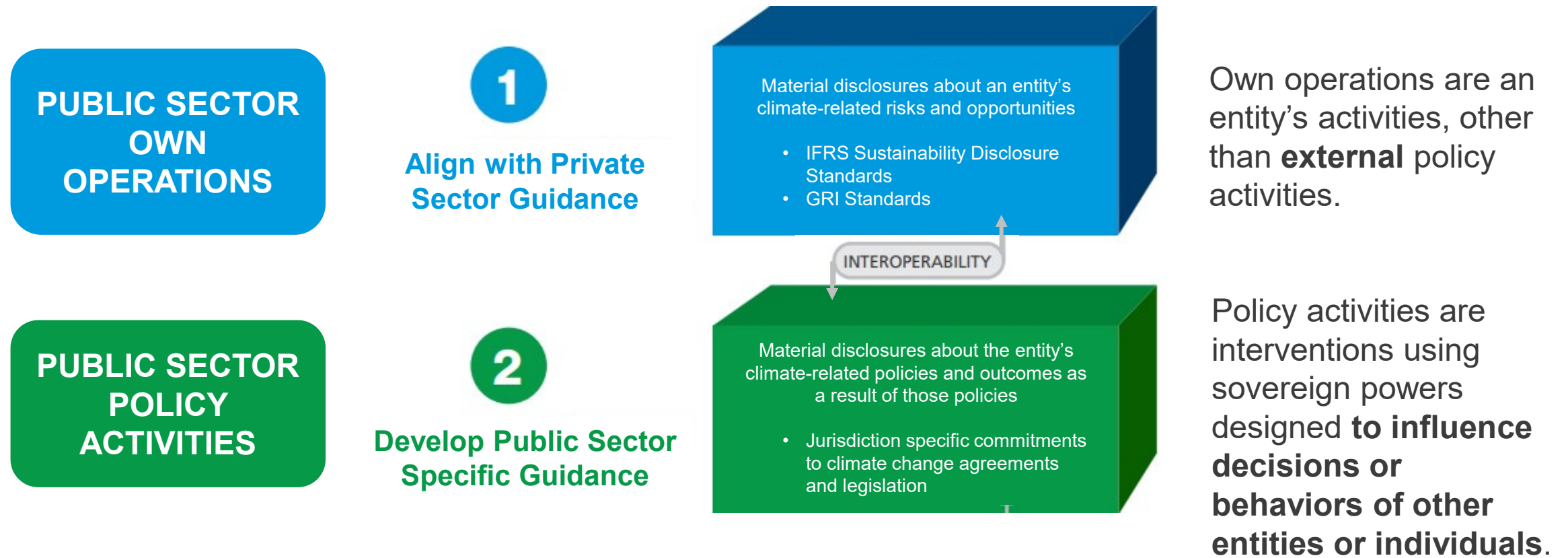


# Climate-related Disclosures Standard Structure



\*New sections for review in June

# Climate-Related Disclosures: Building Block Approach



# Climate-related policy activities

## Analysis

- Internal vs. external policy activities
  - Private and public sector entities have internal policy activities
  - Delineate own operations from policy activities to address the unique influence over other entities and individuals
- All vs. climate-related policy activities
  - Many policy activities may affect GHG emissions, the environment and the economy
  - Objective is to provide information for decision making and accountability for climate action commitments

## Recommendation

- Policy activities relate to those external policies to influence other entities and individuals
- Scope of reporting policy activities should be limited to those **policy activities that are explicitly designed to address climate**

# Climate-related policy activities

## Core Text

Definitions  
Paragraph 6  
Policy Activities p.10

Definitions  
Paragraph 6  
Climate-related policy  
activities p.7

## Appendix B Application Guidance

Identifying risks,  
opportunities and  
outcomes  
B.AG6, B.AG14 and  
B.AG22  
p.106, 110, and 113

B.AG7  
p.107

## Basis for Conclusions

Public Sector Policy  
and Regulatory Role  
BC8  
p.157

Overall Development  
Approach  
BC16  
p.159



# Other Instructions from the May Check-in

## Instructions

## Action and Reference

### Objective and Scope

- Clarify the Objective paragraphs to explain 'service delivery' is a dimension of long-term fiscal sustainability.

- Updated paragraph 2

### Definitions

- Clarify the guidance on 'outputs' in RPG 3 includes policy activities.

- Clarified in BC35

### Governance

- Update the objectives in governance and strategy paragraphs to include non-financial reporting

- Removed 'financial' in paragraphs 7, 11 and 28

### Strategy

- Reconsider thresholds for own operations and policy activities and whether policy setting entities are being held to a higher threshold

- Updated paragraph 25 to remove reference to lower threshold for disclosures relating to climate-related policy activities

# Other Instructions from the May Check-in (cont'd)

## Instructions

### Strategy

- Review guidance needed for scenario analysis reporting by smaller entities
- Consider additional disclosure requirements or guidance relating to current and anticipated effects on service delivery.
- Review disclosure requirements in relation to funding of policy activities.

### Risks, Opportunities and Outcomes Management

- Revise title to include “Opportunities”

## Action and Reference

- Paragraphs B.AG15, B.AG33 and AG23 clarify smaller entities may leverage group analysis
- Climate effects on service delivery is addressed by strategy disclosures (paragraph 13)
- Updated paragraph 24(d) to remove duplication with paragraph 25(b).
- Updated title of the section

# GHG Emissions from Climate-related Policy Activities

## Analysis

- GHG Emissions:
  - Inventories within a boundary such as entity's value chain or a jurisdiction
  - Changes in GHG emissions such as reductions from policies and programs – provides clear accountability for outcomes
- Methodologies
  - Various sources of guidance including GHG Protocol Policy and Action Standard

## Recommendation

Require entities to disclose:

- **The estimated change in GHG emissions** resulting from the entity's climate-related policy activity
- **A description of the methodology** and scope of the GHG emissions estimate

# GHG Emissions from Climate-related Policy Activities

## Core Text

Metrics and Targets  
Paragraph 42(a)  
p.40

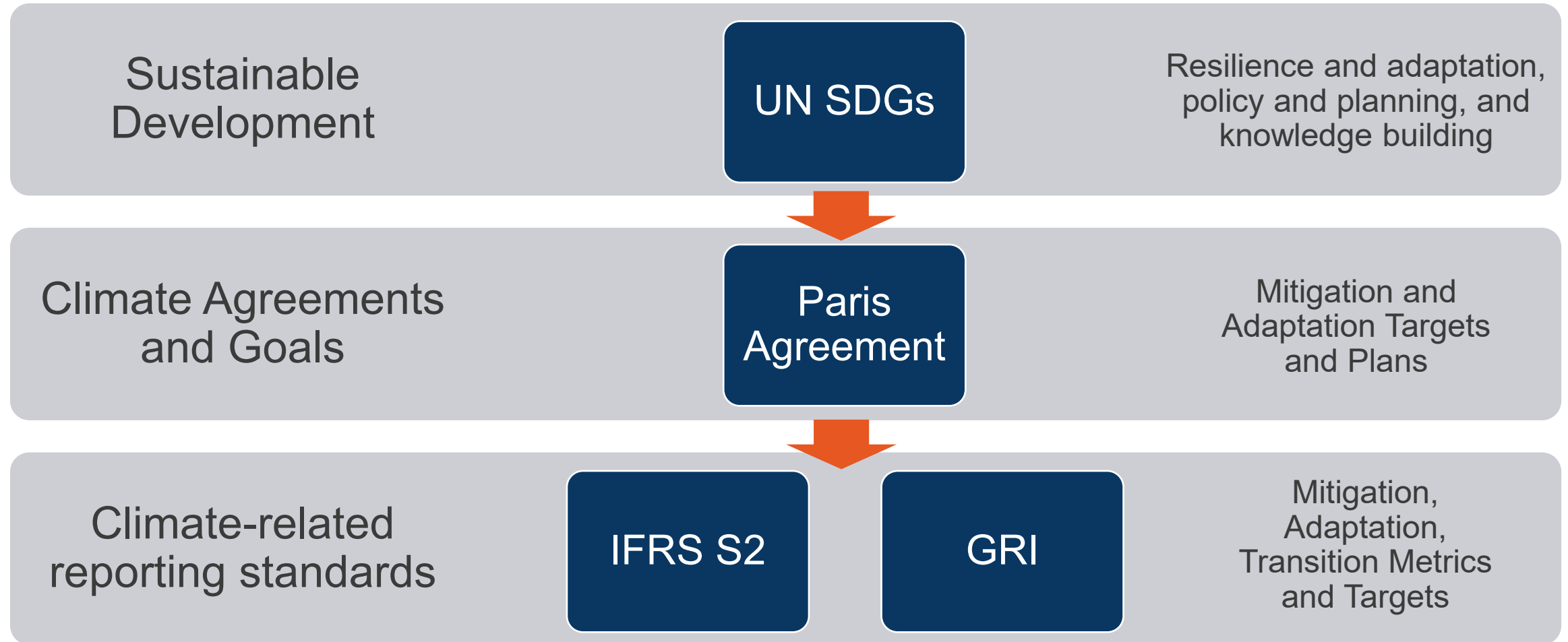
## Application Guidance

Metrics and Targets  
AG100-105  
p.95-97

## Basis for Conclusions

Metrics and Targets  
BC63  
p.196

# Climate-related Metrics and Targets





# Climate-related Metrics Workshop

Paris Agreement Articles	IFRS S2	GRI CC ED	Public Sector Relevance
Long-term temperature goal (Article 2)			Own operations / Policy Activities– e.g., transition plans and GHG emissions
Global Peaking (Article 4)			
Mitigation (Article 4)			
Adaptation (Article 7)			Own operations / Policy Activities – e.g., adaptation plans
Sinks and Reservoirs (Article 5)			Policy activities – e.g., land use and conservation
Markets and non-markets (Article 6)			Policy activities – e.g., carbon markets
Loss and Damage (Article 8)			Policy activities – international organizations
Finance, Technology and Capacity Building Support (Article 9-11)			
Education and Awareness (Article 12)			Out of scope for IPSASB SRS

# Other Metrics for Climate-related Policy Activities

## Analysis

- CP responses called for public sector guidance given broad reaching impact and responsibility of governments
- However, international best practice metrics to be developed / developing
- SRG advised to consider additional guidance to support preparers and to avoid greenwashing / advertising

## Recommendation

- Require entities to disclose other metrics
- Potential sources:
  - Established policy measures
  - External guidance / methodologies
  - Other peer metrics or stakeholder input

# Other Metrics for Climate-related Policy Activities

## Core Text

Metrics and Targets  
Paragraph 42(b)  
p.41

## Application Guidance

Metrics and Targets  
AG106-112  
p.98-99

## Basis for Conclusions

Metrics and Targets  
BC64-65  
p.196

# GHG Methodology for Own Operations

## Analysis

- GHG Inventory methodologies:
  - Organizations (GHG Protocol Corporate Standard, ISO 14064)
  - Jurisdictions (UNFCCC IPCC Guidelines, GHG Protocol for Cities)
- GHG Protocol Corporate Standard
  - Provides information that can be used to effect strategy to manage and reduce GHG emissions across the entity's value chain
  - Also relevant for other organizations such as NGOs, government agencies and universities

## Recommendation

- Rebuttable presumption to use GHG Protocol Corporate Accounting and Reporting Standard
- Otherwise, disclose methodology and rationale

# GHG Methodology for Own Operations

## Core Text

Metrics and Targets  
Paragraphs 33(a), 40  
p.32-35,38-40

## Application Guidance

Metrics and Targets  
AG48-89  
p.67-86

## Basis for Conclusions

Metrics and Targets  
BC57-60  
p.194-195



# GHG Protocol: Scopes 1, 2, and 3

## Scope 1

Direct emissions from owned or controlled sources

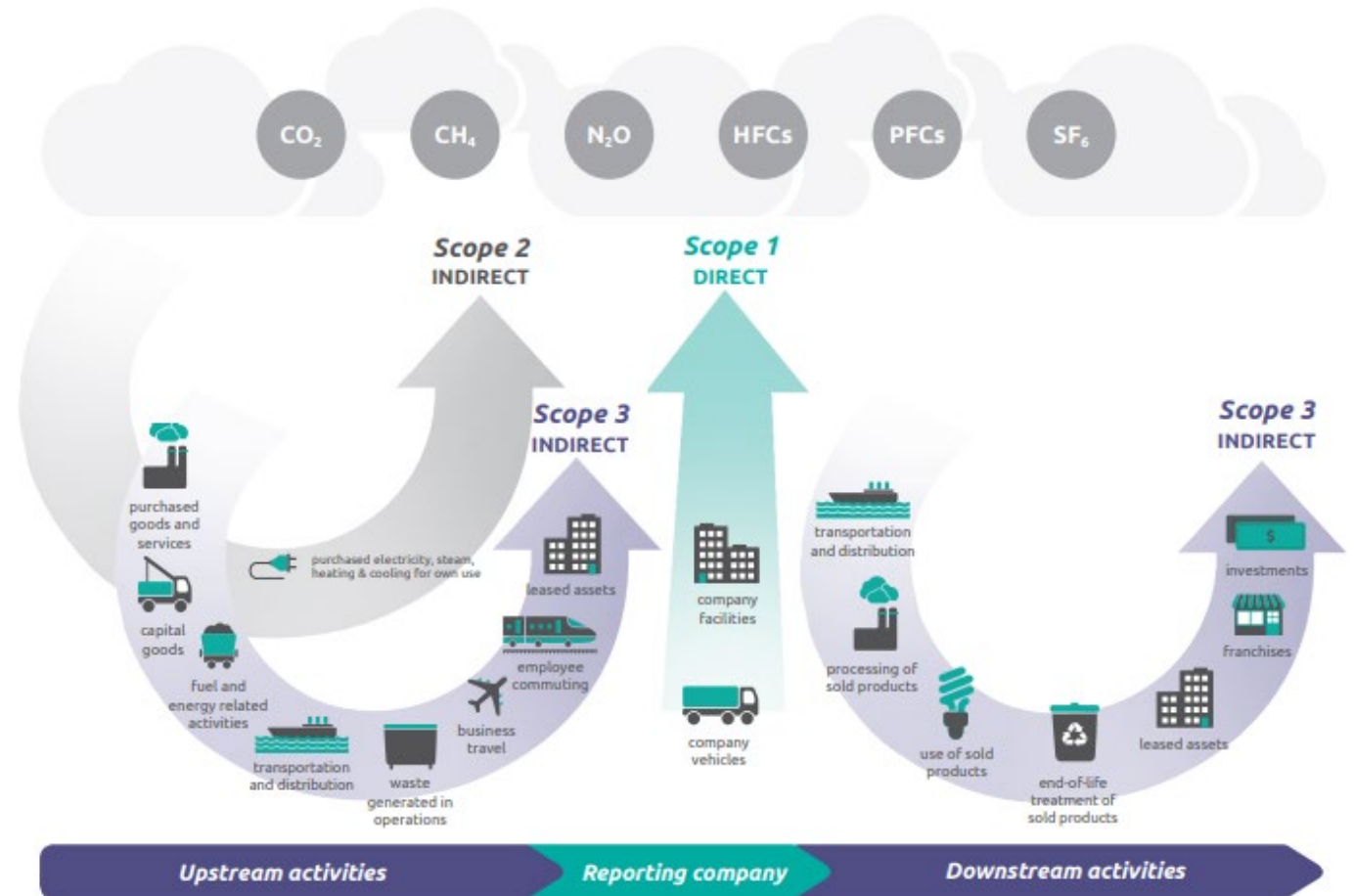
## Scope 2

Indirect emissions from the generation of purchased energy

## Scope 3

All indirect GHG emissions that occur in the value chain of the entity

Figure [1.1] Overview of GHG Protocol scopes and emissions across the value chain



# GHG Protocol: Scope 3 Categories

The GHG Protocol Scope 3 Standard categorizes Scope 3 emissions into 15 categories:

## Upstream Scope 3 Emissions

1. Purchased goods and services
2. Capital goods
3. Fuel- and energy-related activities (not included in scope 1 or scope 2)
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets

## Downstream Scope 3 Emissions

9. Downstream transportation and distribution
10. Processing of sold products
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
14. Franchises
15. Investments

# Own Operations: Scope 3 Reporting

## Analysis

- IFRS S2 requires disclosure of an entity's scope 3 GHG emissions, in addition to scopes 1 and 2
- Challenges in scope 3 reporting in both private and public sectors
  - External data collection pose concerns on data quality and confidentiality
  - Despite the challenges, regulators around the world are moving towards requiring scope 3 reporting from the private sector
- In the public sector, some jurisdictions have required scope 3 reporting to some extent
  - UK and New Zealand as examples
  - To disclose mandated and material scope 3 categories

## Recommendation

- Require disclosure on material scope 3 categories from own operations
- Additional guidance on assessing Scope 3 material categories

# Own Operations: Scope 3 Reporting

## Core Text

Metrics and Targets  
Paragraphs 33(a)(vi)  
p.34-35

## Application Guidance

Metrics and Targets  
AG62-89  
p.75-86

## Basis for Conclusions

Metrics and Targets  
BC58-60  
p.194-195

# Industry-based Metrics

## SASB Standards

Industry-specific, sustainability-related disclosure topics for 77 industries across 11 sectors, such as:

- Electric Utilities & Power Generators
- Health Care Delivery
- Telecommunication Services
- Rail Transportation
- Road Transportation
- Forestry Management



## GRI Sector Standards

Early stages of developing metrics for certain sectors, such as:

- Oil & Gas
- Coal
- Agriculture
- Aquaculture and Fishing





# Own Operations: Industry-based Metrics

## Analysis

- IFRS S2 requires industries to refer to its Industry-based Guidance, which was derived from the SASB Standards
- There is no existing public sector equivalent guidance that provides specific disclosure topics and metrics for entities of different functions
  - However, the COFOG could provide a useful framework for the future development of such guidance
- Certain functions within public sector entities could benefit from guidance provided by both SASB and GRI sector standards

## Recommendation

- Entities to refer to the SASB and GRI sector standards as optional references

# Own Operations: Industry-based Metrics

## Core text

Metrics and Targets  
Paragraph 36  
p.37

## Appendix B

General  
Requirements  
Paragraphs B17  
p.107

## Basis for Conclusions

General  
Requirements  
Paragraph BC63  
p.199

# Internal Carbon Price

Examples of terminologies and methodologies on placing a monetary value on GHG externalities:

Internal Carbon Pricing

Marginal Abatement Cost

Social Cost of GHG

Shadow Price of Carbon

## Internal Carbon Pricing

- A commonly used terminology, also used by IFRS S2
- Emphasis on “internal”
  - An internal tool used for internal decision making
  - Different from the market price of carbon (e.g. emissions trading scheme)

# Internal Carbon Price

## Analysis

- Wide usage of the term “internal carbon price”
  - Despite varying terminologies and methodologies
- Internal carbon pricing as a key tool in informing policy decisions
- While the primary focus remains on climate-related policy activities, internal carbon pricing is also used by public sector entities in their own operations

## Recommendation

- Align the internal carbon price definition with IFRS S2
- Additional guidance on internal carbon pricing in a public sector entity’s own operations
- Additional requirement on internal carbon pricing in strategy for climate-related policy activities

# Internal Carbon Price

## Core Text

Definitions  
Paragraph 6  
p.9

Strategy – Policy  
Paragraph 24(c)(iii)  
p.27

Metrics and Targets –  
Own Operations  
Paragraph 33(e), p.36

## Application Guidance

Strategy  
AG37(d), AG40  
p.62, 63

Metrics and Targets  
AG92-93  
p.92-93

## Basis for Conclusions

Metrics and Targets  
BC62  
p.195



# Transition – March Breakout Group Discussions

Public Sector proposals for break-out group discussion

## A. Private Sector Aligned

- Year 1: exclude comparative information and Scope 3 GHG emissions

## B. Extended Private Sector Transition

- Years 1-3: exclude comparative information and Scope 3 GHG emissions

## C. Public Sector Specific Transition

- Alternative approach, such as, reporting at a minimum:
- Year 1: Governance and Risk management
- Year 2: Strategy, excluding scenario analysis, and Scope 1 and 2 GHG emissions
- Year 3: Full disclosures, including scenario analysis and Scope 3 emissions

# Transition

## Analysis

- SRG support for alignment with IFRS S2 transition
  - Urgency of climate crisis
  - Capital markets significance and demand for information
  - Public sector leadership
  - Availability of data in public sector

## Recommendation

In Year 1:

- Exclude scope 3 emissions (own ops)
- Exclude changes in emissions from existing climate-related policies
- Exclude comparative information
- Report within 9 months of adoption

# Transition

## Core Text

Transition  
Paragraphs 46-48  
p.42-43

## Basis for Conclusions

Transition  
BC56  
p.197

# Appendix B: General Requirements

Topics	Recommendation	References
<b>Sources of Guidance</b> – points to SASB, CDSB, others	Optional Climate Reference	B16-B21
<b>Location of Disclosures</b> – in GPFRs or cross-reference	Align with S1	B22-B25
<b>Timing of Reporting</b> – at the same time as FS	Align with S1	B26-B31
<b>Comparative information</b> - required for all amounts	Align with S1	B32-B33
<b>Statement of Compliance</b> – explicit and unreserved statement	Align with S1	B34-B35
<b>Judgments</b> – enable users to understand judgments	Align with S1	B36-B37
<b>Uncertainty</b> – identify amounts with high level of measurement uncertainty	Align with S1	B38-B42
<b>Errors</b> – correct prior period errors by restating comparative	Align with S1	B43-B46

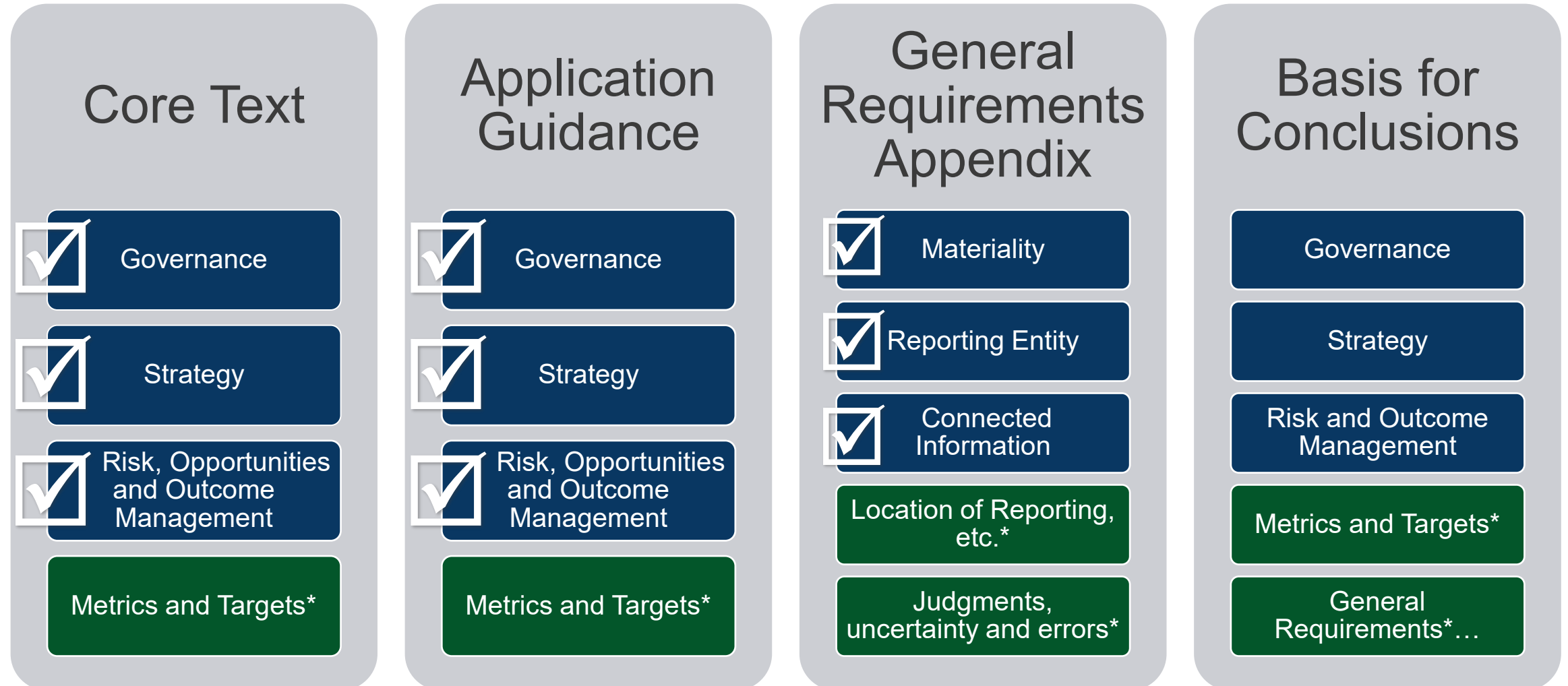
## Other comments

General questions for consideration:

- a) Substantive points related to the drafted principles that require further articulation;
- b) Own operations: Any additional public sector-specific guidance needed in applying S2; and
- c) Policy activities: Any additional public sector guidance needed for an entity's policy activities

*Please be prepared to articulate the details of your proposal and rationale.*

# Climate-related Disclosures Standard Structure



\*New sections reviewed in June