

Agenda Item 2.3.1 - (draft) IPSASB SRS Exposure Draft [X], *Climate-related Disclosures* (Clean)

REVIEW INSTRUCTIONS:

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

- (a) Two versions of the draft ED are provided – Agenda Item 2.3.1 provides a clean version and Agenda Item 2.3.2 provides track changes to the version reviewed in June for reference. **This is the clean version with NO track changes.**
- (b) When reviewing the updated draft ED, **members are encouraged to focus on the Core Text and Application Guidance that have the most significant updates and changes, specifically:**
 - (i) Updates to **Scope in the Core Text and Application Guidance** (see paragraphs 3-7 and AG1-AG28) to clarify an entity's own operations versus climate-related public policy programs in line with staff recommendations in Agenda Item 2.2.2; and
 - (ii) Updates to **Governance, Strategy, Risk Management and Metrics and Targets in the Core Text and Application, with specific focus on the Strategy sections** (key paragraphs include 8-25 and AG31, AG35, AG120, AG130), to restructure the draft ED in line with staff recommendations in Agenda Item 2.2.3

These focus areas for Board member review are shaded in grey in both versions of the draft ED for your reference.
- (c) Staff continue to work through other sections of the draft ED and note that further updates may be required to flow through the proposed recommendations. However, to facilitate review of other June instructions that affect other areas such as Appendix B application guidance or Basis for Conclusions as summarized in Agenda Item 2.1.2, Board members are provided the full text. Some specific items that continue to be in progress:
 - (i) Cross-references to paragraphs across the ED may not all be updated; and
 - (ii) Basis for Conclusions requires further updates to reflect discussions since June and July proposals.
- (d) Consistent with prior quarters, draft text is based on the approved approach to developing sustainability standards, by 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.

Exposure Draft [XX]
[MM 2024]
Comments due: [MM DD, 2024]

IPSASB SRS™

*Proposed International Public Sector Accounting
Standards Board Sustainability Reporting
Standard™*

Climate-related Disclosures

IPSASB

International Public
Sector Accounting
Standards Board®

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IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. IPSASB SRS relate to sustainability disclosures and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS and IPSASB SRS, RPGs do not establish requirements. [IPSASB SRS and] RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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REQUEST FOR COMMENTS

This Exposure Draft, *Climate-related Disclosures*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by [DATE].**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

EXPOSURE DRAFT IPSASB SRS™ X, CLIMATE-RELATED DISCLOSURES

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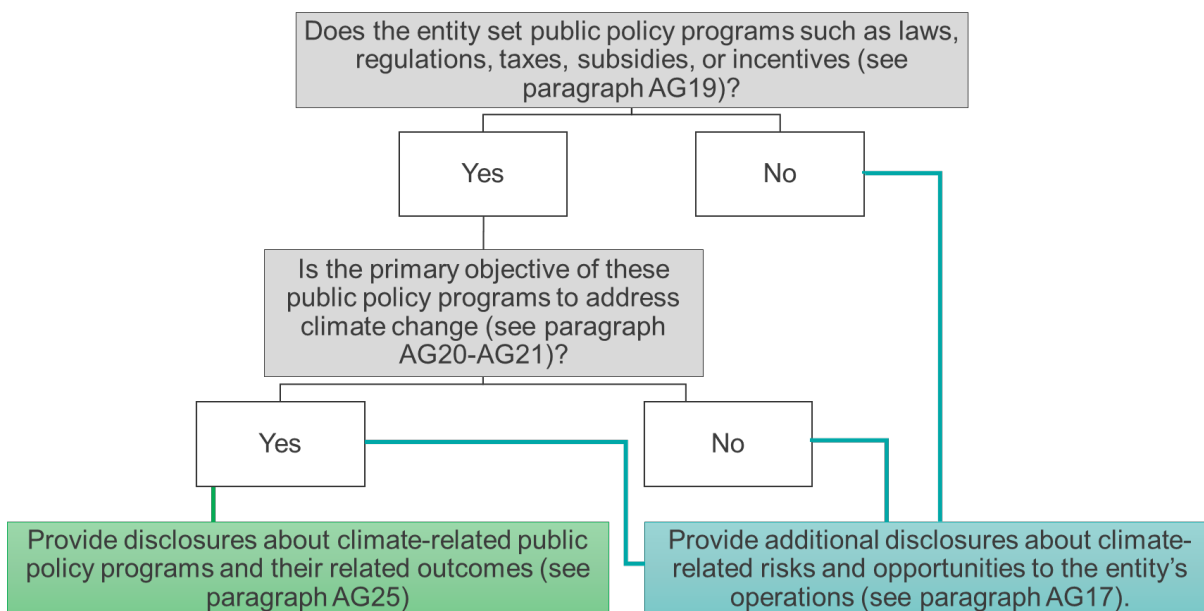
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Objective

1. The objective of this [draft] Standard is to provide principles for an entity to disclose information in its general purpose financial reports about its climate-related risks and opportunities and outcomes from its climate-related public policy programs that is useful to primary users for accountability and decision making purposes.
2. This [draft] Standard requires an entity to disclose material information about:
 - (a) The climate-related risks and opportunities that could reasonably be expected to affect the long-term fiscal sustainability of an entity, including the long-term sustainability of the services and/or programs it delivers (for the purposes of this [draft] Standard, these are collectively referred to as ‘climate-related risks and opportunities to an entity’s own operations’); and
 - (b) Where an entity has climate-related public policy programs, the outcomes that could reasonably be expected as a result of its climate-related public policy programs, including their effects on society, the environment and economy.

Scope

3. An entity shall apply this [draft] Standard in reporting on:
 - (a) Climate-related risks to which an entity is exposed, including but not limited to physical risks and transition risks;
 - (b) Climate-related opportunities available to the entity; and
 - (c) Where an entity has climate-related public policy programs, the outcomes from those climate-related public policy programs.



4. As illustrated by the flow chart, disclosure requirements relating to climate-related risks and opportunities are expected to be applicable for all entities while disclosures related to climate-related public policy programs and their related outcomes only relates to those entities with such policy

programs. See paragraphs AG17 and AG25 for guidance on which disclosure requirements and application guidance are relevant.

5. Climate-related risks and opportunities that could not reasonably be expected to affect the long-term fiscal sustainability of an entity, and where applicable, outcomes that could not reasonably be expected as a result of its climate-related public policy programs are outside the scope of this (draft) Standard.
6. 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).

Definitions

7. The following terms are used in this Standard with the meanings specified:

Carbon credit is an emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialized, issued, tracked and cancelled by means of an electronic registry.

Climate resilience is the capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties.

Climate-related physical risks are risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity.

Climate-related public policy programs are public policy programs with a primary objective to address climate change.

Climate-related risks refer to the potential negative effects of climate change on an entity. These risks are categorized into climate-related physical risks and transition risks.

Climate-related opportunities refer to the potential positive effects of climate change on an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity.

Climate-related transition plans refers to aspects of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.

CO₂ equivalent is the universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the global warming potential of one unit of

carbon dioxide. This unit is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.

Financed emissions are the portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty. These emissions are part of Scope 3 Category 15 (investments) as defined in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

Global warming potential is a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given greenhouse gas relative to one unit of CO₂.

Greenhouse gases are the seven greenhouse gases listed in the Kyoto Protocol— carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF₃); perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆).

Internal carbon price is a price used by an entity to assess the changes to procurement processes, public policy programs, investment, production and consumption patterns, and of potential technological progress and future emissions abatement costs. An entity can use internal carbon prices for a range of applications. Two types of internal carbon prices that an entity commonly uses are:

- (a) A shadow price, which is a theoretical cost or notional amount that the entity does not charge but that can be used to understand the economic implications or trade-offs for such things as risk impacts, new investments, the net present value of projects, and the cost and benefit of various initiatives; and
- (b) An internal tax or fee, which is a carbon price charged to an operational activity, or other operating unit based on its greenhouse gas emissions (these internal taxes or fees are similar to intra-group charge).

Latest international agreement on climate change is the most recent agreement by states to combat climate change setting norms and targets for a reduction in greenhouse gases.

Long-term fiscal sustainability is the ability of an entity to meet service delivery and financial commitments, both now and in the future.

Own operations are an entity's activities, other than public policy programs.

An **operational model** is an entity's system of transforming inputs through its activities into outputs and outcomes that aims to fulfill the entity's objectives.

Public policy program Outcomes are the impacts on society, which occur as a result of, or are reasonably attributable to, the public policy programs.

Public policy programs are any type of intervention taken or mandated by a public sector entity exercising its sovereign powers to influence the decisions or behaviors of other entities or individuals.

Scope 1 greenhouse gas emissions are direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity.

Scope 2 greenhouse gas emissions are indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity. Purchased and acquired electricity is electricity that is purchased or otherwise

brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated.

Scope 3 greenhouse gas emissions are indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the Scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

Scope 3 categories are 15 categories of Scope 3 greenhouse gas emissions—as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011):

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

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, including other public sector entities.

A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its goods or provide 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 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. A value chain does not encompass public policy programs.

Governance

8. **The objective of climate-related disclosures on governance is to enable primary users of general purposes financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee:**

- (a) **Climate-related risks and opportunities to an entity's own operations; and**
- (b) **Climate-related public policy programs and achievement of their intended outcomes.**

9. An entity shall disclose information about:

(a) The governing body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities, and, where applicable, climate-related public policy programs and related outcomes. Specifically, the entity shall identify that body(s) or individual(s) and disclose information about:

- (i) How responsibilities for climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);
- (ii) How the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities and, where applicable, oversee strategies for climate-related public policy programs and related outcomes;
- (iii) How and how often the body(s) or individual(s) is informed about climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes;
- (iv) How the body(s) or individual(s) takes into account climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes, when overseeing the entity's strategy, its decisions on major activities, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered associated trade-offs ; and
- (v) How the body(s) or individual(s) oversees the setting of targets related to climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes, and monitors progress towards those targets (see paragraphs 33-36).

(b) Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes, including information about:

- (i) Whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and
- (ii) Whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes and, if so, how these controls and procedures are integrated with other internal functions.

Strategy

10. **The objective of climate-related disclosures on strategy is to enable primary users of general purpose financial reports to understand an entity's strategy for managing:**

- (a) **Climate-related risks and opportunities to its own operations; and**
- (b) **Climate-related public policy programs and their intended outcomes.**

11. Specifically, an entity shall disclose information to enable primary users to understand:

- (a) The climate-related risks and opportunities that could reasonably be expected to affect an entity's own operations (see paragraph 12), including:
- (b) The effects of those climate-related risks and opportunities on the entity's strategy and decision-making (see paragraph 13-15), including:
- (c) The current and anticipated effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period and over the short, medium and long term (see paragraphs 16-22); and
- (d) The climate resilience of the entity's strategy and operational model to climate-related changes, developments, uncertainties (see paragraph 23-25), including where applicable the scenario analysis that informed an entity's climate-related public policy programs (see paragraph AG116-AG146).

12. In addition, an entity shall disclose:

- (a) In relation to climate-related risks and opportunities to an entity's own operations:
 - (i) The current and anticipated effects of those climate-related risks and opportunities on the entity's operational model and value chain (see paragraph AG31-AG34); and
 - (ii) Information about how an entity has responded to, and plans to respond to, climate-related risks and opportunities in its own operations (see paragraph AG35); and
- (b) In relation to climate-related public policy programs and their outcomes:
 - (i) The climate-related risks and opportunities that inform an entity's climate-related public policy programs (see paragraph AG120-AG121); and
 - (ii) Information about the entity's strategy and decision-making for climate-related public policy programs and how the entity plans to achieve their intended outcomes (see paragraph AG122-AG124);

Climate-related risks and opportunities

13. An entity shall disclose information that enables primary users of general purpose financial reports to understand the entity's climate-related risks and opportunities. Specifically, the entity shall:

- (a) Describe climate-related risks and opportunities that could reasonably be expected;
- (b) Explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk;
- (c) Specify, for each climate-related risk and opportunity the entity has identified, over which time horizons—short, medium or long term—the effects of each climate-related risk and opportunity could reasonably be expected to occur; and

- (d) Explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.

Strategy and decision-making

- 14. An entity shall disclose information that enables primary users of general purpose financial reports to understand the effects of:

- (a) Climate-related risks and opportunities on its strategy and decision-making (see paragraphs AG35) and,
- (b) Where applicable, its strategy and decision-making for climate-related public policy programs (see paragraphs AG119-123)

- 15. This includes:

- (a) Information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with paragraph AG35(a).
- (b) Quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph AG35(a).

Financial position, financial performance and cash flows

- 16. An entity shall disclose information that enables primary users of general purpose financial reports to understand:

- (a) The effects of climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes on the entity's financial position, financial performance and cash flows for the reporting period (current financial effects); and
- (b) The anticipated effects of climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how climate-related risks and opportunities are included in the entity's financial planning (anticipated financial effects).

- 17. Specifically, an entity shall disclose quantitative and qualitative information about:

- (a) How climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes have affected its financial position, financial performance and cash flows for the reporting period;
- (b) The climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes identified in paragraph 16(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;
- (c) How the entity expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities and, where applicable, climate-related public policy programs and related outcomes, taking into consideration:
 - (i) Its investment and disposal plans (for example, plans for capital expenditure, major infrastructure developments, acquisitions and divestments, transformation of operations,

innovation, new public-private partnerships, and asset retirements), including plans the entity is not contractually committed to; and

- (ii) Its planned sources of funding to implement its strategy (for example, how climate-related public policy programs are funded); and

- (d) How the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities (for example, increased revenue from services aligned with a lower-carbon economy; costs arising from physical damage to assets from climate events; and expenses associated with climate adaptation or mitigation) and, where applicable, climate-related public policy programs and related outcomes (for example, increased expenses arising from funding climate-related subsidy programs or increased revenue from climate-related tax programs).

18. In providing quantitative information, an entity may disclose a single amount or a range.

19. In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity and, where applicable, climate-related public policy programs and related outcomes, an entity shall:

- (a) Use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort; and
- (b) Use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures.

20. An entity need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the entity determines that:

- (a) Those effects are not separately identifiable; or
- (b) The level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful.

21. In addition, an entity need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information.

22. If an entity determines that it need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity applying the criteria set out in paragraphs 20-21, the entity shall:

- (a) Explain why it has not provided quantitative information;
- (b) Provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that climate-related risk or opportunity; and
- (c) Provide quantitative information about the combined financial effects of that climate-related risk or opportunity with other climate-related risks or opportunities and other factors unless the entity determines that quantitative information about the combined financial effects would not be useful.

Climate resilience

23. An entity shall disclose information that enables primary users of general purpose financial reports to understand the resilience of the entity's strategy and operational model to climate-related changes,

developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities, and, where applicable, the resilience of the entity's climate-related public policy programs strategy.

24. The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances (see paragraph AG44). In providing quantitative information, the entity may disclose a single amount or a range. Specifically, the entity shall disclose:

(a) The entity's assessment of the climate resilience of its strategy, operational model, and climate-related public policy programs as at the reporting date, which shall enable primary users of general purpose financial reports to understand:

- (i) The implications, if any, of the entity's assessment for its strategy, operational model, , and climate-related public policy programs, including how the entity would need to respond to the effects identified in the climate-related scenario analysis;
- (ii) The significant areas of uncertainty considered in the entity's assessment of its climate resilience;
- (iii) The entity's capacity to adjust or adapt its strategy, operational model, and climate-related public policy programs to climate change over the short, medium and long term, including;

- a. The availability of, and flexibility in, the entity's existing financial resources to respond to the effects identified in the climate-related scenario analysis, including to address climate-related risks and to take advantage of climate-related opportunities;
- b. The entity's ability to redeploy, repurpose, upgrade or decommission existing assets; and
- c. The effect of the entity's current and planned investments in climate-related mitigation, adaptation and opportunities for climate resilience; and

(b) How and when the climate-related scenario analysis was carried out, including:

- (i) Information about the inputs the entity used, including:
 - a. Which climate-related scenarios the entity used for the analysis and the sources of those scenarios;
 - b. Whether the analysis included a diverse range of climate-related scenarios;
 - c. Whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks;
 - d. Whether the entity used, among its scenarios, a climate-related scenario aligned with the latest International agreement on climate change;
 - e. Why the entity decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;
 - f. The time horizons the entity used in the analysis; and
 - g. What scope of operations the entity used in the analysis (for example, the operating locations and services included in the analysis);

- (ii) The key assumptions the entity made in the analysis, including assumptions about:
 - a. Climate-related policies in the jurisdictions in which the entity operates;
 - b. Macroeconomic trends;
 - c. National- or regional-level variables (for example, local weather patterns, demographics, land use, infrastructure and availability of natural resources);
 - d. Energy usage and mix; and
 - e. Developments in technology; and
- (iii) The reporting period in which the climate-related scenario analysis was carried out (see paragraph AG45).

25. In preparing disclosures to meet the requirements in paragraphs 13–24, an entity may refer to and consider the applicability of peer metrics associated with related disclosure topics.

Risk Management

26. **The objective of climate-related disclosures on risk and outcome management is to enable primary users of general purpose financial reports to understand an entity's processes to identify, assess, prioritize and monitor:**
- (a) **Climate-related risks and opportunities to its own operations, and**
 - (b) **Climate-related public policy programs and related outcomes.**
27. An entity shall disclose information about:
- (a) The processes and related internal risk management policies the entity uses to identify, assess, prioritize and monitor climate-related risks to the entity's long-term fiscal sustainability and risks to the entity's climate-related public policy programs, including information about:
 - (i) The inputs and parameters the entity uses (for example, information about data sources and the scope of operations covered in the processes);
 - (ii) Whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks;
 - (iii) How the entity assesses the nature, likelihood, magnitude and timing of the effects of those risks (for example, whether the entity considers qualitative factors, quantitative thresholds or other criteria);
 - (iv) Whether and how the entity prioritizes climate-related risks relative to other types of risk;
 - (v) How the entity monitors climate-related risks; and
 - (vi) Whether and how the entity has changed the processes it uses compared with the previous reporting period;
 - (b) The processes the entity uses to identify, assess, prioritize and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities; and

- (c) The extent to which, and how, the processes for identifying, assessing, prioritizing and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.

Metrics and Targets

28. **The objective of climate-related disclosures on metrics and targets is to enable users of general purpose financial reports to understand an entity's performance, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation, in relation to:**

- (a) **Its climate-related risks and opportunities (see paragraphs 29-37); and**
- (b) **Its climate-related public policy programs and their outcomes (see paragraphs 38-39).**

Climate-related metrics

29. An entity shall disclose information relevant to the following metric categories:

- (a) Greenhouse gases—the entity shall:
 - (i) Disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO₂ equivalent (see paragraphs AG67–AG69), classified as:
 - a. Scope 1 greenhouse gas emissions;
 - b. Scope 2 greenhouse gas emissions; and
 - c. Scope 3 greenhouse gas emissions;
 - (ii) Measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless a different method for measuring its greenhouse gas emissions is determined to better meet primary user information needs or is required by a jurisdictional authority (see paragraph AG71);
 - (iii) Disclose the approach it uses to measure its greenhouse gas emissions (see paragraphs AG70–AG77) including:
 - a. The methodology, measurement approach, inputs and assumptions the entity uses to measure its greenhouse gas emissions;
 - b. The reason why the entity has chosen the methodology, measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and
 - c. Any changes the entity made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;\
 - (iv) For Scope 1 and Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)a–(i)b, disaggregate emissions between:
 - a. The consolidated accounting group (for example, for an entity applying IPSAS, this group would comprise the parent and its controlled entities); and

- b. Other investees excluded from paragraph 29(a)(iv)a (for example, for an entity applying IPSAS, these investees would include associates, joint ventures and unconsolidated controlled entities);
 - (v) For Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)b, disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to inform users' understanding of the entity's Scope 2 greenhouse gas emissions (see paragraphs AG67–AG79); and
 - (vi) For Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)b, and with reference to paragraphs AG80–AG105, disclose:
 - a. The categories included within the entity's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting And Reporting Standard (2011); and
 - b. Additional information about the entity's Category 15 greenhouse gas emissions or those associated with its investments (financed emissions), if the entity's activities include financial services and investing (see paragraphs AG94–AG105).
 - (b) Climate-related transition risks—the amount and percentage of operating activities or assets vulnerable to climate-related transition risks (see paragraph AG32(a));
 - (c) Climate-related physical risks—the amount and percentage of operating activities or assets vulnerable to climate-related physical risks (see paragraph AG32(b));
 - (d) Climate-related opportunities—the amount and percentage of operating activities or assets aligned with climate-related opportunities (see paragraph AG32(c));
 - (e) Internal carbon prices—the entity shall disclose, with reference to paragraphs AG108–AG109:
 - (i) An explanation of whether and how the entity is applying a carbon price in decision-making (for example, in procurement processes and decisions);
 - (ii) A description of how the entity determines the carbon price; and
 - (iii) The price for each metric ton of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions.
 - (f) Remuneration— if any climate-related considerations are directly factored into remuneration of key management personnel, the entity shall disclose:
 - (i) The amount of remuneration to key management personnel recognized in the current period that is linked to climate-related considerations; and
 - (ii) A description of how this amount is determined (see also paragraph 9(a)(v)).
30. In preparing disclosures to meet the requirements in paragraph 29(b)–29(e), an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.
31. In preparing disclosures to meet the requirements in paragraph 29(b)–29(f), an entity shall refer to paragraphs AG106–AG109.

32. An entity shall disclose peer metrics that are associated with one or more particular operational models, activities or other common features that are similar to other entities such as similar categories of functions of government. In determining the peer metrics that the entity discloses, the entity may consider the applicability of existing industry-based metrics such as those associated with disclosure topics described in the Industry-based Guidance on Implementing IFRS S2 or GRI sector guidance.

Climate-related targets

33. An entity shall disclose the quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the entity shall disclose:
- (a) The metric used to set the target (see paragraphs AG106–AG107);
 - (b) The objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);
 - (c) The part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific service or specific geographical region);
 - (d) The period over which the target applies;
 - (e) The base period from which progress is measured;
 - (f) Any milestones and interim targets;
 - (g) If the target is quantitative, whether it is an absolute target or an intensity target; and
 - (h) How the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.
34. An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:
- (a) A description of any validation process employed in setting the target and the methodology;
 - (b) The entity's processes for reviewing the target;
 - (c) The metrics used to monitor progress towards reaching the target; and
 - (d) Any revisions to the target and an explanation for those revisions.
35. An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance.
36. For each greenhouse gas emissions target disclosed in accordance with paragraphs 36–37, an entity shall disclose:
- (a) Which greenhouse gases are covered by the target;
 - (b) Whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;
 - (c) Whether the target is a gross greenhouse gas emissions target or net greenhouse gas emissions target. If the entity discloses a net greenhouse gas emissions target, the entity is also required to separately disclose its associated gross greenhouse gas emissions target (see paragraphs AG112–AG113);

- (d) Whether the target was derived using a sectoral decarbonization approach, if applicable;
 - (e) The entity's planned use of carbon credits, if any, to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits the entity shall disclose information including, and with reference to paragraphs AG114–AG115:
 - (i) The extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;
 - (ii) Which third-party scheme(s) will verify or certify the carbon credits, if any;
 - (iii) The type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and any other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credits the entity plans to use (for example, assumptions regarding the permanence of the carbon offset).
37. In identifying and disclosing the metrics used to set and monitor progress towards reaching a target described in paragraphs 33–35, an entity shall refer to and consider the applicability of peer metrics (see paragraph 32), or metrics that otherwise satisfy the requirements in this IPSASB SRS.

Metrics for Climate-related public policy programs

38. In addition to information about its climate-related metrics and targets in paragraphs 29-37, an entity shall disclose information that enables users of general purpose financial reports to understand its metrics and targets for outcomes from climate-related public policy programs, where it has such activities, including information about:
- (a) Greenhouse gases—the entity shall:
 - (i) Disclose estimated greenhouse gas emissions resulting from public policy programs; and
 - (ii) Disclose the approach it uses to measure its estimated greenhouse gas emissions resulting from public policy programs as disclosed in 38(a)(i) (see paragraphs AG135–AG140);
 - (b) Other metrics—the entity shall:
 - (i) Disclose other metrics the entity uses to measure and monitor the performance in relation to its climate-related public policy programs , including progress towards any targets it has set, (see paragraphs AG141-AG144); and
 - (ii) Disclose the approach it uses to measure the metric (see paragraphs AG145–AG146).

Targets for Climate-related Public policy programs

39. An entity shall also disclose the information required in paragraphs 28-33 in relation to the targets for its climate-related public policy programs where an entity has climate-related public policy programs.

Effective Date

40. An entity shall apply this Standard for annual reporting periods beginning on or after 1 January [YYYY]. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact.
41. For the purposes of applying paragraphs 42-44, the date of adoption is the beginning of the annual reporting period in which an entity first applies this (draft) Standard.

Transition

42. An entity is not required to provide the disclosures specified in this (draft) Standard for any period before the date of adoption. Accordingly, an entity is not required to disclose comparative information in the first annual reporting period in which it applies this Standard.
43. In the first annual reporting period in which an entity applies this Standard, the entity is permitted to use the below relief:
 - (a) The entity is permitted to report its climate-related financial disclosures after it publishes its related financial statements, within nine months of the end of the annual reporting period in which the entity first applies this Standard;
 - (b) An entity is not required to disclose its Scope 3 greenhouse gas emissions (see paragraph 29(a)(i)c); and
 - (c) An entity is not required to disclose the past GHG emissions from climate-related public policy programs that were in place on the date of adoption of the (draft) Standard (see paragraph 38(a)).
44. An entity may elect an earlier date of adoption without a transition period. If an entity elects to apply the relief in paragraph 42, the entity is permitted to continue to use that relief for the purposes of presenting that information as comparative information in subsequent reporting periods.

Appendix A: Application Guidance

This Appendix is an integral part of [draft] IPSAS [X] (ED XX).

Scope (see paragraphs 3-5)

Climate-related risks and opportunities to an entity's own operations

AG1. Public sector entities provide a broad range of essential services for its service recipients in the public interest, ranging across a spectrum of service delivery to regulation and policy setting functions. At one end of the spectrum, typically more centralized entities develop public policy programs. At the other, typically less centralized entities deliver services and implement policies, often developed by others. This broad range of functions by various public sector entities may include:

- (a) Public policy program advice and management
- (b) Service design and delivery
- (c) Information and education
- (d) Compliance and enforcement; and
- (e) Monitoring and evaluation.

AG2. There may be instances where the functions in AG2 overlap; in other cases this may be further complicated, where a public sector entity has functions across multiple areas such as buildings and energy, with differing roles and responsibilities across policy domains.

AG3. Many public sector entities have their functions, mandates and authority prescribed by statute. This limits the entity's own ability to alter their functions and mandates, and requires more coordination with other public sector entities and decision-makers to achieve change.

AG4. For the purposes of this [draft] Standard, an entity's own operations include all of the entity's activities, including service delivery and setting and monitoring policy programs. However, reporting on an entity's climate-related risks and opportunities to its own operations does not include disclosure requirements about the policy programs themselves, such as the downstream activities for public policy programs or the performance and effectiveness of programs. For such disclosures, an entity would refer to those in paragraph AG25.

AG5. Climate-related risks and opportunities can materialize through these different functions for a public sector entity. Disclosures about climate-related risks and opportunities to an entity's own operations should be guided by the information needs of its primary users which would reflect the entity's context, its public interest mandate and responsibilities. See Appendix B paragraphs B.AG1-B.AG53.

AG6. Identification of climate-related risks and opportunities inform an entity's response to such risks and opportunities in order to ensure its long-term fiscal sustainability. Long-term fiscal sustainability includes an entity's continued ability to provide these essential services and is dependent on the capacity and vulnerability of its services, revenues and debts.

AG7. The climate-related risks that an entity may face include physical risks and transition risks associated with the transition to a lower-carbon economy.

AG8. Climate-related physical risks can be:

- (a) Acute – driven by events such as storms, precipitation or temperatures; or
- (b) Chronic – resulting from longer-term factors such as an increase in mean temperatures, shifts in precipitation patterns or rising sea levels. Chronic risks could also have longer-term consequence for entities.

- AG9. Transition risks are associated with policy, legal, technology and market changes resulting from efforts to limit global warming and move to a lower carbon economy. The public sector generally plays a key role in these areas, so it is important that public sector entities are accountable for the public policy programs that they undertake, as well as needing better information for decision making.
- AG10. An entity may pursue adaptation responses, such as investing in infrastructure, to address climate-related physical risks; and may pursue mitigation responses, such as adopting new technologies to reduce its greenhouse gas emissions, to address climate-related transition risks.
- AG11. An entity may also pursue climate-related opportunities, such as developing new services to meet shifting service recipient needs. Climate-related risks and opportunities are distinct but not always mutually exclusive.
- AG12. An entity's climate-related risks and opportunities arise out of the interactions between the entity and its stakeholders, society, the economy, and the natural environment throughout the entity's value chain. These interactions, which can be direct and indirect – result from an entity's operations in pursuit of its objectives and from the external environment in which the entity operates. These interactions take place within an interdependent system in which an entity both 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 long-term fiscal sustainability.
- AG13. 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 entity's workforce, its know-how or its organizational processes—or they can be external—such as funding and services the entity needs to access or the relationships it has with resource providers, distributors and beneficiaries. Furthermore, resources and relationships include, but are not limited to, the resources and relationships recognized as assets in the entity's financial statements.
- AG14. In applying this standard and understanding its climate-related risks and opportunities, it is important that public sector entities focus on other public, and in some cases private sector entities, that exist in their value chain. This is because other entities may be the key means through which risk is expected to materialize for that entity, such as an inland revenue department expecting a significant increase in demand for their policy advisory and service delivery functions in order to realize revenue from the adoption of new technologies, such as electric vehicles. Alternatively, a financial markets regulator may expect risk to materialize through the private sector parties it regulates, such as increasing litigation risk due to greenwashing concerns in reporting.
- AG15. Due to the interconnected nature of resources and relationships in the public sector, an entity often:
- (a) Depends on other public sector entities, such as for funding;

- (b) Is affected by other public sector entities, such as responsibility for implementing policies and achieving targets set by senior levels of government; or
- (c) Where an entity has public policy programs, depends on other entities to implement them.

AG16. Therefore, public sector entities may face heightened risks to managing climate-related risks and opportunities and achieving an entity's mandate such as:

- (a) Policy activity leadership risk – such as the risk of inconsistent strategies across levels of government to achieve net zero or insufficient funding or support for entities to implement policies;
- (b) Accountability risk – such as unclear roles and responsibilities on how entities contribute to regional, national or subnational climate commitments and targets; or
- (c) Coordination and delivery risk – such as the failure to collaborate effectively across policy setters and implementers to address system-wide challenges.

AG17. Entities shall provide climate-related disclosures to enable primary users of general purpose financial reports to understand the entity's:

- (a) Governance processes, controls and procedures an entity uses to monitor, manage and oversee its climate-related risks and opportunities (see paragraphs 8-9 and AG29-AG30);
- (b) Approach to ensuring its strategy will remain resilient to climate-related risks and opportunities (see paragraphs 10-25 and AG31-AG64);
- (c) Processes to identify, assess, prioritize and monitor risks to its climate-related risks and opportunities (see paragraphs 26-27 and AG65); and
- (d) Performance, including progress towards any climate-related targets it has set, and any targets it is required to meet by law, in relation to its climate-related risks and opportunities (see paragraphs 28-30 and AG66-AG115).

AG18. Entities may refer to Appendix B paragraphs B.AG1-B.AG53 for further guidance on identifying climate-related risks and opportunities and material information for disclosure.

Outcomes from Climate-related Public policy programs

AG19. Public policy programs may include:

- (a) Regulations and standards; such as any that specify abatement technologies (technology standard) or minimum requirements for energy consumption, pollution output, or other activities (performance standard), and typically include penalties for noncompliance;
- (b) Taxes and charges, such as levy imposed on each unit of activity by a source, such as a fuel tax, carbon tax, traffic congestion charge, or import or export tax;
- (c) Subsidies and incentives such as direct payments, tax reductions, price supports or the equivalent thereof from a public sector entity to another entity for implementing a practice or performing a specified action;
- (d) Emissions trading programs, or emissions trading systems (ETS) or cap-and-trade programs are programs that establish a limit on aggregate emissions from specified sources, requires sources to hold permits, allowances, or other units equal to their actual emissions, and allows permits to be traded among sources;

- (e) Voluntary agreements or measures may be an agreement, commitment, or measure undertaken voluntarily by public or private sector actors, either unilaterally or jointly in a negotiated agreement. Some voluntary agreements include rewards or penalties associated with participating in the agreement or achieving the commitments;
- (f) Information instruments which are requirements for public disclosure of information, such as labeling programs, emissions reporting programs, rating and certification systems, benchmarking, and information or education campaigns aimed at changing behavior by increasing awareness;
- (g) Research, development and deployment policies are those aimed at supporting technological advancement, through direct government funding or investment, or facilitation of investment, in technology research, development, demonstration, and deployment activities;
- (h) Public procurement policies are those requiring that specific attributes (such as GHG emissions) be considered as part of the public procurement processes;
- (i) Infrastructure programs are those that provide (or grant an entity permit for) infrastructure, such as roads, water supply, urban services, and high speed rail;
- (j) Implementation of new technologies, processes, or practices, such as those that reduce emissions compared to existing technologies, processes, or practices at a broad scale; and
- (k) Financing and investment such as public or private sector grants or loans for supporting development strategies.

- AG20. Many public policy programs may have an effect on climate. For example, an entity's policies to expand train networks may have a primary objective to reduce traffic congestion yet may also result in reduced emissions, or an entity's policies to use coal energy may increase GHG emissions but have a primary objective to provide cost effective and stable electricity to rural areas.
- AG21. Climate-related public policy programs are those that have a primary objective to address climate change. This primary objective may be expressed as a key performance indicator for the public policy program such as inputs, outputs, outcomes or efficiency indicators related to climate, or through a combination of one or more of these performance indicators. This primary objective may also be expressed using a narrative description of a desired future state primarily relating to climate, such as a reduction of GHG emissions or reduced exposure to climate-related physical risks, resulting from the public policy program. An entity with such climate-related public policy programs shall provide disclosures as outlined in paragraph AG25.
- AG22. Entities may provide disclosures (see paragraph AG25) about other public policy programs that do not have a primary objective to address climate change and their intended outcomes if that information meets its primary user information needs. For example, information about an entity's public policy programs that have a negative impact on climate change could be material to enable primary users decision-making and accountability.
- AG23. Outcomes from climate-related public policy programs are impacts on society which occur as a result of, or are reasonably attributable to, the entity's climate-related public policy programs. This includes impacts on the economy, environment and people as these impacts are all interrelated. For example:

- (a) A traffic congestion tax policy with a primary objective to reduce greenhouse gas emissions may also result in economic impacts for private sector entities operating in the jurisdiction and economic and/or social impacts for individuals living and working in the jurisdiction;
- (b) An entity's policies to invest in high-speed rail infrastructure with a primary objective to reduce greenhouse gas emissions may also result in economic opportunities for private sector entities as well as social impacts for individual service recipients;
- (c) Policies relating to emissions trading programs will have economic impacts for private sector corporations; and
- (d) Policies to reduce greenhouse gas emissions can contribute to improved air quality and affect the health of citizens.

AG24. Factors beyond the entity's control may intervene to either hinder or facilitate the entity's achievement of outcomes. An entity's identification of outcomes from climate-related public policy programs shall consider the extent to which outcomes can be attributed to the entity's public policy programs and other factors that have influenced the outcomes. It shall not include outcomes that cannot be reasonably expected by an entity (see paragraph 2). Disclosures shall be sufficient to ensure that the primary users can understand the entity's role with respect to either improving or worsening outcomes.

AG25. An entity with climate-related public policy programs shall provide climate-related disclosures to enable primary users of general purpose financial reports to understand the entity's:

- (a) Governance processes, controls and procedures an entity uses to monitor, manage and oversee its climate-related risks and opportunities (see paragraphs 8-9 and AG116-AG118);
- (b) Strategy for managing its climate-related risks and opportunities (see paragraphs 13-15, 19-25 and AG119-AG131);
- (c) Processes to identify, assess, prioritize and monitor risks to its climate-related risks and opportunities (see paragraphs 26-27 and AG132-AG134); and
- (d) Performance, including progress towards any climate-related targets it has set, and any targets it is required to meet by law, in relation to its climate-related risks and opportunities (see paragraphs 28-30 and AG135-AG146).

AG26. Entities may refer to Appendix B paragraphs B.AG1-B.AG53 for further guidance on identifying outcomes from climate-related public policy programs and material information for disclosure.

Decision-Making rights for Public Policy Programs - Agent versus Principal

AG27. It is common for public sector entities to be responsible for carrying out government policy. In some cases they may have the authority to act in their own right, in other cases they may act as an agent for a Minister or another entity. For example:

- (a) A government department, which is authorized by another public sector entity to act on the other entity's behalf, might act solely as an agent of the responsible Minister in relation to another entity. In such cases the department would not control the Minister's public policy programs.
- (b) A government department may operate under a delegation of power from another public sector entity. The department uses its own discretion in making decisions and taking actions and is not subject to direction from the other entity. In such cases the department is acting in its own

right and would need to consider other factors such as the scope of decision-making authority and discretion the entity has to determine whether it is acting as an agent or principle for the public policy programs.

AG28. An entity with decision-making rights for a public policy program shall determine whether it is a principal or an agent. An entity shall also determine whether another entity with decision-making rights is acting as an agent for the entity. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the public policy program when it exercises its decision-making authority. Thus, sometimes a principal's power may be held and exercisable by an agent, but on behalf of the principal.

Climate-related risks and opportunities to an entity's own operations

Governance (see paragraphs 8-9)

AG29. Public sector governance structures vary considerably between and across jurisdictions. However, all are designed to provide oversight to an entity's operations. For some entities, their climate-related strategy may be determined by another public sector entity such as senior levels of governments or ministries. An entity's own governing body, one from another entity or a specially convened cross-government group, may provide oversight of the implementation of such externally determined climate-related policies. In the public sector, is generally rare for governance to be a single individual. An entity shall disclose the arrangement as required in paragraph 9(a).

AG30. If no group(s) or individual(s) has responsibility for oversight of particular climate-related risks and opportunities then this should be disclosed.

Strategy (see paragraphs 10-25)

Climate-related risks and opportunities and effects on an entity's operational model and value chain (see paragraphs 13)13

AG31. An entity shall disclose information that enables primary users of general purpose financial reports to understand the current and anticipated effects of climate-related risks and opportunities on the entity's operational model and value chain. Specifically, the entity shall disclose:

- (a) A description of the current and anticipated effects of climate-related risks and opportunities on the entity's operational model and value chain; and
- (b) A description of where in the entity's operational model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, types of assets, types of public sector entities or private sector entities, or groups of individuals).

AG32. The current and anticipated effects of climate-related risks and opportunities on an entity's operational model and value chain include those related to:

- (a) Climate-related physical risks that have affected or potentially may affect the entity's operations such as disruptions to service delivery due to adverse weather events. Climate-related physical risks could carry financial implications for an entity, such as costs resulting from direct damage to public assets and infrastructure or indirect effects of supply-chain disruption and rising sea levels for certain communities. The entity's long-term fiscal sustainability could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee

health and safety. Climate-related physical risks can also lead to economic or social implications, such as increasing number of uninsured neighborhoods in the jurisdiction due to severe weather events or rising sea levels; and

- (b) Climate-related transition risks which could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related policies. The entity's long term fiscal sustainability could also be affected by shifting needs of service recipients and the development and deployment of new technology. For example, a jurisdiction's civil aviation authority may need to undertake significant technical work to develop safety procedures for new electric aircraft given that its existing procedures were inherently designed for fossil-fueled plane technology. Climate-related transition risks could also lead to economic or social implications such as significant job losses as a result of transition to renewable energy impacting on the labour department and energy policy-maker.
 - (c) Climate-related opportunities may include more efficient use of resources, changing use of energy such as lower-emission energy sources or new technologies, developing new lower emission services or climate adaptation solutions.
- AG33. The activities of other entities involved in upstream or downstream activities could also affect an entity's operational model and value chain; for example, changes to an entity's funding from higher levels of government as a result of changes in climate-related public policy programs.
- AG34. Climate-related opportunities may include more efficient use of resources, changing use of energy such as lower-emission energy sources or new technologies, developing new lower emission services or climate adaptation solutions.

Strategy and decision making (see paragraph 14)

AG35. Paragraph 14 requires an entity to disclose information that enables primary users to understand the effects of climate-related risks and opportunities on the strategy and decision-making for an entity's own operations. Specifically, an entity shall disclose:

- (a) Information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the entity shall disclose information about:
 - (i) Current and anticipated changes to the entity's operational model, including its resource allocation, to address climate-related risks and opportunities (for example, these changes could include plans to manage or decommission carbon-, energy- or water-intensive operations; resource allocations resulting from demand or supply-chain changes; resource allocations arising from operations development through capital expenditure or additional expenditure on research and development; and acquisitions or divestments);
 - (ii) Current and anticipated direct mitigation and adaptation efforts (for example, through changes in operational processes or equipment, relocation of activities, workforce adjustments, and changes in services);
 - (iii) Current and anticipated indirect mitigation and adaptation efforts (for example, through working with service recipients and supply chains);

- (iv) Any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies; and
- (v) How the entity plans to achieve any climate-related targets, including any greenhouse gas emissions targets described in accordance with paragraphs 33–36.

- AG36. Public sector climate-related strategies may be set by senior levels of government at regional or national levels, in many cases, to contribute to the latest international agreement on climate change.
- AG37. Such strategies may be implemented by multiple entities. When entities need to comply with policies set by higher levels of government, they will need to incorporate these into their own strategies.
- AG38. Entities may also develop their own strategies to manage climate-related risks to own service delivery and/or benefit from climate-related opportunities that support the entity's mandate and service objectives.
- AG39. An entity's strategy will vary depending on its role and responsibilities. For example:
- (a) A revenue or tax authority contributes to climate-related policies through its collection of carbon taxes through paperless communications, or
 - (b) A police force may have mitigation plans to reduce greenhouse gas emission by replacing its fleet of vehicles with electric vehicles; and
 - (c) A local government may build infrastructure to address rising sea levels as part of its climate adaptation efforts.
- AG40. Strategy and decision making in the public sector may also be affected by changes in governments and/or other policies. Therefore, medium and long-term risk management will require clearly articulated strategies that can be flexed as circumstances change.

Current and anticipated financial effects on an entity's financial position, financial performance and cash flows (see paragraph 16-22)

- AG41. Climate-related physical and transition risks have direct financial effects on an entity's financial position, financial performance and cash flows. See paragraph B.AG29.
- AG42. Public sector entities' resources are predominantly provided by taxpayers, transfers from different levels of government or external lenders such as bond holders. An entity's disclosures in accordance with paragraphs 17(c) and 17(d) shall enable primary users of general purpose financial reports to understand the capacity and financial planning of an entity to continue to fund its activities and to meet its operational objectives, climate-related strategy and targets, including its sources of funding and the extent to which it is dependent on each.

Climate resilience of an entity's strategy and operational model (see paragraphs 23-25)

- AG43. An entity shall use an approach that is commensurate with its circumstance to perform climate-related scenario analysis in assessing its climate resilience. The entity is required to use an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or

effort. Paragraphs AG44–AG64 provide guidance on how an entity uses scenario analysis to assess the entity’s climate resilience. Specifically:

- (a) Paragraphs AG44–AG51 set out the factors the entity shall consider when assessing its circumstances;
- (b) Paragraphs AG52–AG61 set out the factors the entity shall consider when determining an appropriate approach to climate-related scenario analysis; and
- (c) Paragraphs AG62–AG64 set out additional factors for the entity to consider when determining its approach to climate-related scenario analysis over time.

Assessing the circumstances

AG44. An entity shall use an approach to climate-related scenario analysis that is commensurate with its circumstances as at the time the entity carries out its climate-related scenario analysis (see paragraph AG45). To assess its circumstances the entity shall consider:

- (a) The entity’s exposure to climate-related risks and opportunities (see paragraphs AG46–AG47); and
- (b) The skills, capabilities and resources available to the entity for the climate-related scenario analysis (see paragraphs AG48–AG49).

AG45. An entity shall assess its circumstances each time it carries out its climate-related scenario analysis. For example, an entity that carries out its climate-related scenario analysis every three years to align with its strategic planning cycle (see paragraph AG64) would be required to reconsider for this purpose its exposure to climate-related risks and opportunities and the skills, capabilities and resources available at that time.

Exposure to climate-related risks and opportunities

AG46. An entity shall consider its exposure to climate-related risks and opportunities in its assessment of its circumstances and when determining the approach to use for its climate-related scenario analysis. This consideration provides essential context for determining what risks are included in the assessment, designing the scenario and analysis, and understanding the potential benefits of using a particular approach to climate-related scenario analysis. For example, if an entity has a high degree of exposure to climate-related risk then a more quantitative or technically sophisticated approach to climate-related scenario analysis would be of greater benefit to the entity and primary users of general purpose financial reports. Primary users of general purpose financial reports would be less likely to benefit from quantitative or technically sophisticated climate-related scenario analysis if the entity is exposed to few or relatively less severe climate-related risks and opportunities. This means that—with all else being equal—the greater the entity’s exposure to climate-related risks or opportunities, the more likely it is the entity would determine that a more technically sophisticated form of climate-related scenario analysis is required.

AG47. This Standard requires an entity to identify the climate-related risks and opportunities to which it is exposed (see paragraph 13) and to disclose information about the process the entity uses to identify, assess, prioritize and monitor those risks and opportunities (see paragraph 26). The information the entity discloses in accordance with these paragraphs can inform the entity’s consideration of its exposure to climate-related risks and opportunities.

Skills, capabilities and resources available

- AG48. An entity shall consider the available skills, capabilities and resources when determining an appropriate approach to use for its climate-related scenario analysis. These skills, capabilities and resources might include both internal and external skills, capabilities and resources. The entity's available skills, capabilities and resources provide context to inform its consideration of the potential cost and level of effort required by a particular approach to climate-related scenario analysis. For example, if an entity has only just begun to explore the use of climate-related scenario analysis to assess its climate resilience, it might be unable to use a quantitative or technically sophisticated approach to climate-related scenario analysis without undue cost or effort. For the avoidance of doubt, if resources are available to the entity then it will be able to invest in obtaining or developing the necessary skills and capabilities.
- AG49. Climate-related scenario analysis can be resource intensive and might—through an iterative learning process—be developed and refined over multiple planning cycles. As an entity repeats the climate-related scenario analysis, it is likely to develop skills and capabilities that will enable the entity to strengthen its approach to climate-related scenario analysis over time. For example, if an entity has not yet used climate-related scenario analysis or participates in a function of government where climate-related scenario analysis is not commonly used, the entity might need more time to develop its skills and capabilities. In contrast, where climate-related scenario analysis is an established practice in its role or function of government, it would be expected to have strengthened skills and capabilities through its experience.
- AG50. Where entities leverage climate-related scenario analysis performed by other public sector entities, such as higher levels of government, the entity shall have a reasonable and supportable basis for using the other entity's analysis and provide cross-reference to such analysis as well as disclose any additional entity-specific analysis performed. For example, a borough that is part of a larger city may determine that the scenario analysis performed by the city is relevant appropriate for analysis of its own climate resilience given the geography and similar climate-related risks and opportunities faced. However, the borough may be removed from the city's waterfront and therefore exclude considerations about sea level rise.
- AG51. An entity might have a different reporting period from some or all of the entities that it leverages climate-related scenario analysis from. In some cases, climate-related scenario analysis may not be performed annually due to the available resources, skills and capabilities. In such circumstances, the entity is permitted to refer to climate-related scenario analysis for reporting periods that are different from its own reporting period if that information is obtained from entities in its value chain with reporting periods that are different from the entity's reporting period, on the condition that:
- (a) The entity uses the most recent climate-related scenario analysis available; and
 - (b) The entity discloses the effects of significant events and changes in circumstances (relevant to its climate-related scenario analysis) that occur between the climate-related scenario analysis and the date of the entity's general purpose financial reports.

Determining the appropriate approach

- AG52. An entity shall determine an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. The determination of the approach shall be informed by the

assessments of the entity's exposure to climate-related risks and opportunities (see paragraphs AG46–AG47) and its available skills, capabilities and resources (see paragraphs AG48–AG49). Making such a determination involves:

- (a) Selecting inputs to the climate-related scenario analysis (see paragraphs AG55–AG59); and
- (b) Making analytical choices about how to carry out the climate-related scenario analysis (see paragraphs AG60–AG61).

AG53. Reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions. It also includes quantitative or qualitative information, and information that is obtained from an external source or owned or developed internally.

AG54. An entity will need to use judgement to determine the mix of inputs and analytical choices that will enable the entity to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. The degree of judgement that is required depends on the availability of detailed information. As the time horizon increases and the availability of detailed information decreases, the degree of judgement required increases.

Selecting inputs

AG55. When an entity selects the inputs to use in its climate-related scenario analysis, the entity shall consider all reasonable and supportable information—including scenarios, variables and other inputs—available to the entity at the reporting date without undue cost or effort. The inputs used in scenario analysis might include information that is qualitative or quantitative, and is obtained from an external source or developed internally. For example, publicly available climate-related scenarios—from authoritative sources—that describe future trends and a range of pathways to plausible outcomes are considered to be available to the entity without undue cost or effort.

AG56. When selecting scenarios, variables and other inputs to use in climate-related scenario analysis, an entity might, for example, use one or more climate-related scenarios—including international and regional scenarios—that are publicly or freely available from authoritative sources or performed by senior levels of government. The entity shall have a reasonable and supportable basis for using a particular scenario or set of scenarios and shall consider the applicability of climate-related scenarios performed by other public sector entities to the entity's own circumstances.

AG57. In considering whether the selected inputs are reasonable and supportable, an entity shall consider the objective of paragraph 23, which requires the entity to disclose information that enables primary users of general purpose financial reports to understand the resilience of the entity's strategy and operational model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities. This means that the inputs to the entity's climate-related scenario analysis shall be relevant to the entity's circumstances, for example, to the particular activities the entity undertakes and the geographical location of those activities.

AG58. For some analyses, such as current and anticipated financial effects and climate-related scenario analyses, an entity may be required to provide or determine inputs based on forward looking information. In the public sector, some of these may include policy assumptions.

AG59. Projections are likely to be most useful when based on current policy assumptions as opposed to future policy unless (a) there is a conflict between current policy and legal obligations and (b) where a policy has "sunset provisions".

Making analytical choices

- AG60. An entity's resilience assessment will be informed not only by the individual inputs to its climate-related scenario analysis, but also by the information it develops in combining those inputs to carry out the analysis. The entity shall prioritize the analytical choices (for example, whether to use qualitative analysis or quantitative modelling) that will enable it to consider all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. For example, if an entity is able—without undue cost or effort—to incorporate multiple carbon price pathways associated with a given outcome (for example, a 1.5 degree Celsius outcome), this analysis is likely to strengthen the entity's resilience assessment, assuming such an approach is warranted by the entity's risk exposure.
- AG61. Quantitative information will often enable an entity to carry out a more robust assessment of its climate resilience. However, qualitative information (including scenario narratives), either alone or combined with quantitative data, can also provide a reasonable and supportable basis for the entity's resilience.

Additional considerations

- AG62. Climate-related scenario analysis is an evolving practice and, therefore, the approach that an entity uses is likely to change over time. As described in paragraphs AG44–AG51, the entity shall determine its approach to climate-related scenario analysis based on its particular circumstances, including the entity's exposure to climate-related risks and opportunities and the skills, capabilities and resources available for the scenario analysis. Those circumstances are also likely to change over time. Therefore, the entity's approach to climate-related scenario analysis need not be the same from one reporting period or strategic planning cycle to the next (see paragraph AG64).
- AG63. An entity might use a simpler approach to climate-related scenario analysis, such as qualitative scenario narratives, if such an approach is appropriate to the entity's circumstances. For example, if an entity does not currently have the skills, capabilities or resources to carry out quantitative climate-related scenario analysis but has a high degree of exposure to climate-related risk, the entity might initially use a simpler approach to climate-related scenario analysis, but would build its capabilities through experience and, therefore, would apply a more advanced quantitative approach to climate-related scenario analysis over time. An entity with a high degree of exposure to climate-related risks and opportunities, and with access to the necessary skills, capabilities or resources, is required to apply a more advanced quantitative approach to climate-related scenario analysis.
- AG64. Although paragraph 23 requires an entity to disclose information about its climate resilience at each reporting date, the entity might carry out its climate-related scenario analysis in line with its strategic planning cycle, including a multi-year strategic planning cycle (for example, every three to five years). Therefore, in some reporting periods the entity's disclosures in accordance with paragraph 2324(b) could remain unchanged from the previous reporting period if the entity does not conduct a scenario analysis annually. The entity shall—at a minimum—update its climate-related scenario analysis in line with its strategic planning cycle. However, an assessment of the entity's resilience is required to be carried out annually to reflect updated insight into the implications of climate uncertainty for the entity's operational model and strategy. As such, an entity's disclosure in accordance with paragraph 2324(a)—that is, the results of the entity's resilience assessment—shall be updated at each reporting period.

Risk Management (see paragraphs 26-27)

Risk Management

AG65. In addition to internal risk management processes, public sector entities may leverage processes from other entities. For example, a national risk register developed by a senior level of government may inform risk management by entities at lower levels of governments. In doing so they would need to consider additional factors to reflect their own circumstances as well.

Metrics and Targets (see paragraphs 28-39)

Greenhouse gas emissions

Permission to use information from a reporting period that is different from the entity's reporting period, in specific circumstances

AG66. An entity might have a different reporting period from some or all of the entities in its value chain. Such a difference would mean that greenhouse gas emissions information from these entities in its value chain for the entity's reporting period might not be readily available for the entity to use for its own disclosure. In such circumstances, the entity is permitted to measure its greenhouse gas emissions in accordance with paragraph 29(a)(i) using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its value chain with reporting periods that are different from the entity's reporting period, on the condition that:

- (a) The entity uses the most recent data available from those entities in its value chain without undue cost or effort to measure and disclose its greenhouse gas emissions;
- (b) The length of the reporting periods is the same; and
- (c) The entity discloses the effects of significant events and changes in circumstances (relevant to its greenhouse gas emissions) that occur between the reporting dates of the entities in its value chain and the date of the entity's general purpose financial reports.

Aggregation of greenhouse gases into CO₂ equivalent using global warming potential values

AG67. Paragraph 29(a) requires an entity to disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO₂ equivalent. To meet this requirement, the entity shall aggregate the seven constituent greenhouse gases into CO₂ equivalent values.

AG68. If an entity uses direct measurement to measure its greenhouse gas emissions, the entity may to convert the seven constituent greenhouse gases into a CO₂ equivalent value using global warming potential values based on a 100-year time horizon, from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date. If another methodology is used, the entity shall describe its measurement approach.

AG69. If an entity uses emission factors to estimate its greenhouse gas emissions, the entity shall use—as its basis for measuring its greenhouse gas emissions—the emission factors that best represent the entity's activity (see paragraph AG77). If these emission factors have already converted the constituent gases into CO₂ equivalent values, the entity is not required to recalculate the emission factors using global warming potential values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date. However, if an entity uses emission factors that are not converted into CO₂ equivalent values, then the entity

may use the global warming potential values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date. If another methodology is used, the entity shall describe its measurement approach.

Methodology, measurement approach, inputs and assumptions

AG70. Paragraph 29(a)(iii) requires an entity to disclose the methodology, measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions. As part of this requirement, the entity shall include information about:

- (a) Applicable method if the entity is not using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (see paragraph AG70-AG75);
- (b) The measurement approach the entity uses (see paragraph AG76); and
- (a) Emission factors the entity uses (see paragraph AG77).

Greenhouse Gas Accounting Methodologies

AG71. There is a rebuttable presumption that entities will use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). In some circumstances, an entity may determine that another established method of measuring its greenhouse gas emissions is more appropriate for its circumstances to meet the needs of its primary users or is required by a jurisdictional authority.

AG72. In such cases, an entity shall disclose:

- (a) The applicable methodology used;
- (b) The reason, or reasons, for the entity's choice of methodology;
- (c) The reporting boundaries, as there is significant scope for judgement in determining boundaries and which emissions are included, therefore entities should explain these decisions clearly; and
- (d) How that approach relates to the disclosure objective in paragraph 29.

AG73. For the avoidance of doubt, an entity shall apply the requirements in methodologies such as the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) only to the extent that they do not conflict with the requirements in this (draft) Standard. For example, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) does not require an entity to disclose its Scope 3 greenhouse gas emissions, however, the entity is required to disclose Scope 3 greenhouse gas emissions in accordance with paragraph 29(a)(i)c.

AG74. Where entities use a methodology other than the GHG Protocol Corporate Accounting and Reporting Standard (2004), entities shall disclose its Scope 1, 2 and 3 aligned with the definitions in paragraph 6 which are based on the GHG Protocol Corporate Accounting and Reporting Standard (2004). To the extent these definitions differ from the applicable methodology, the entity shall provide a reconciliation.

AG75. An entity with a primary focus on public policy programs may also generate Scope 1, 2 and 3 GHG emissions where it undertakes public policy programs. For example, an energy agency that regulates the energy sector within a jurisdiction would disclose emissions from both its operations (e.g. consumed energy from its office premises) and its operations where it undertakes climate-related public policy programs (e.g. consumed energy from employees involved in setting regulations).

Measurement approach

AG76. An entity might use different measurement approaches when measuring its greenhouse gas emissions. In disclosing information in accordance with paragraph 29(a)(iii), the entity is required to disclose information about the measurement approach it uses. Specifically, the entity shall disclose:

- (a) The approach it uses to determine its greenhouse gas emissions, including:
 - (i) The approach to consolidation of greenhouse gas emissions, such as whether the entity uses the operational control, the financial control or the equity share approach; and
- (b) The reason, or reasons, for the entity's choice of measurement approach and how that approach relates to the disclosure objective in paragraph 28.

Emission factors

AG77. As part of an entity's disclosure of the measurement approach, inputs and assumptions, the entity shall disclose information to enable users of general purpose financial reports to understand which emission factors the entity uses in its measurement of its greenhouse gas emissions. This (draft) Standard does not specify emission factors an entity is required to use in its measurement of its greenhouse gas emissions. Instead, this (draft) Standard requires an entity to use emission factors that best represent the entity's activity as its basis for measuring its greenhouse gas emissions.

Scope 2 greenhouse gas emissions

AG78. Paragraph 29(a)(v) requires an entity to disclose its location-based Scope 2 greenhouse gas emissions and provide information about any contractual instruments the entity has entered into that could inform users' understanding of the entity's Scope 2 greenhouse gas emissions. A location-based method reflects the average emissions intensity of grids on which energy consumption occurs. For the avoidance of doubt, an entity is required to disclose its Scope 2 greenhouse gas emissions using a location-based approach and is required to provide information about contractual instruments only if such instruments exist and information about them informs users' understanding of an entity's Scope 2 greenhouse gas emissions.

AG79. Contractual instruments are any type of contract between an entity and another party for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled energy attribute claims (unbundled energy attribute claims relate to the sale and purchase of energy that is separate and distinct from the greenhouse gas attribute contractual instruments). Various types of contractual instruments are available in different markets and the entity might disclose information about its market-based Scope 2 greenhouse gas emissions as part of its disclosure.

Scope 3 greenhouse gas emissions

AG80. In accordance with paragraph 29(a)(vi), an entity shall disclose information about its Scope 3 greenhouse gas emissions to enable users of general purpose financial reports to understand the source of these emissions. The entity shall consider its entire value chain (upstream and downstream) and shall consider all 15 categories of Scope 3 greenhouse gas emissions, as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). In accordance with paragraph 29(a)(vi), the entity shall disclose which of these categories are included in its Scope 3 greenhouse gas emissions disclosures.

- AG81. For the avoidance of doubt, regardless of the methodology an entity uses to measure its greenhouse gas emissions, the entity is required to disclose the categories included within its measure of Scope 3 greenhouse gas emissions as described in paragraph 29(a)(vi)a.
- AG82. An entity's determination of which Scope 3 categories to measure and disclose will require management judgement and may consider trade-offs such as the cost of collecting data, skills and capabilities needed compared against the benefit the information will provide for decision making. This determination shall be driven by an entity's mandate and the materiality assessment for information needs of primary users for decision making and accountability.
- AG83. In accordance with paragraph B.AG26, on the occurrence of a significant event or a significant change in circumstances, an entity shall reassess the scope of all affected climate-related risks and opportunities throughout its value chain, including reassessing which Scope 3 categories and entities throughout its value chain to include in the measurement of its Scope 3 greenhouse gas emissions. 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.
- AG84. An entity is permitted, but not required, to reassess the scope of any climate-related risk or opportunity throughout its value chain more frequently than required by paragraph B.AG27.
- AG85. In accordance with paragraph B.AG2(b), to determine the scope of the value chain, which includes its breadth and composition, an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.

Scope 3 measurement framework

- AG86. An entity's measurement of Scope 3 greenhouse gas emissions is likely to include the use of estimation rather than solely comprising direct measurement. In measuring Scope 3 greenhouse gas emissions an entity shall use a measurement approach, inputs and assumptions that result in a faithful representation of this measurement. The measurement framework described in paragraphs AG87–AG89 provides guidance for an entity to use in preparing its Scope 3 greenhouse gas emissions disclosures.
- AG87. An entity is required to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort when the entity selects the measurement approach, inputs and assumptions it uses in measuring Scope 3 greenhouse gas emissions.
- AG88. An entity's measurement of Scope 3 greenhouse gas emissions relies upon a range of inputs. This (draft) Standard does not specify the inputs the entity is required to use to measure its Scope 3 greenhouse gas emissions, but does require the entity to prioritize inputs and assumptions using these identifying characteristics (which are listed in no particular order):
- (a) Data based on direct measurement (paragraphs AG90–AG92);
 - (b) Data from specific activities within the entity's value chain (paragraphs AG93–AG96);
 - (c) Timely data that faithfully represents the jurisdiction of, and the technology used for, the value chain activity and its greenhouse gas emissions (paragraphs AG97–AG98); and
 - (d) Data that has been verified (paragraphs AG99–AG100).
- AG89. An entity's prioritization of the measurement approach, inputs and assumptions and the entity's considerations of associated trade-offs—based on the characteristics in paragraph AG88—

requires management to apply judgement. For example, an entity might need to consider the trade-offs between timely data and data that is more representative of the jurisdiction and technology used for the value chain activity and its emissions. More recent data might provide less detail about the specific activity, including the technology that was used in the value chain and the location of that activity. On the other hand, older data that is published infrequently might be considered more representative of the specific activity and its greenhouse gas emissions.

Data based on direct measurement

- AG90. Two methods are used to quantify Scope 3 greenhouse gas emissions: direct measurement and estimation. Of these two methods—and with all else being equal—an entity shall prioritize direct measurement.
- AG91. 'Direct measurement' refers to the direct monitoring of greenhouse gas emissions and, in theory, provides the most accurate evidence. However, it is expected that Scope 3 greenhouse gas emissions data will include estimation due to the challenges associated with direct measurement of Scope 3 greenhouse gas emissions.
- AG92. Estimation of Scope 3 greenhouse gas emissions involves approximate calculations of data based on assumptions and appropriate inputs. An entity that measures its Scope 3 greenhouse gas emissions using estimation is likely to use two types of input:
- (a) Data that represents the entity's activity that results in greenhouse gas emissions (activity data). For example, the entity might use distance travelled as activity data to represent the transport of goods within its value chain;
 - (b) Emission factors that convert activity data into greenhouse gas emissions. For example, the entity will convert the distance travelled (activity data) into greenhouse gas emissions data using emission factors.

Data from specific activities within the entity's value chain

- AG93. An entity's measurement of its Scope 3 greenhouse gas emissions will be based on data obtained directly from specific activities within the entity's value chain (primary data), data not obtained directly from activities within the entity's value chain (secondary data), or a combination of both.
- AG94. In measuring an entity's Scope 3 greenhouse gas emissions, primary data is more likely to be representative of the entity's value chain activity and its greenhouse gas emissions than secondary data. Therefore, the entity shall prioritize—with all else being equal—the use of primary data.
- AG95. Primary data for Scope 3 greenhouse gas emissions includes data provided by suppliers or other entities in the value chain related to specific activities in an entity's value chain. For example, primary data could be sourced from meter readings, utility bills or other methods that represent specific activities in the entity's value chain. Primary data could be collected internally (for example, through the entity's own records), or externally from suppliers and other value chain partners (for example, supplier-specific emission factors for purchased goods or services). Data from specific activities within an entity's value chain provides a more accurate representation of the entity's specific value chain activities and, therefore, will provide a better basis for measuring the entity's Scope 3 greenhouse gas emissions.
- AG96. Secondary data for Scope 3 greenhouse gas emissions is data that is not obtained directly from specific activities within an entity's value chain. Secondary data is often supplied by third-party data

providers (for example, from published databases, government statistics, literature studies and industry associations). Secondary data includes data used to approximate the activity or emission factors. Additionally, secondary data includes primary data from a specific activity (proxy data) used to estimate greenhouse gas emissions for another activity. If an entity uses secondary data to measure its Scope 3 greenhouse gas emissions, it shall consider the extent to which the data faithfully represents the entity's activities.

Timely data that faithfully represents the value chain activity and its greenhouse gas emissions

- AG97. If an entity uses secondary data, it shall prioritize the use of activity or emissions data that is based on, or represents, the technology used in the value chain activity the data is intended to represent. For example, an entity might obtain primary data from its activities (for example, the specific aircraft model, distance travelled and travel-class used by employees when travelling) and would then use secondary data that represents the greenhouse gas emissions arising from those activities to convert the primary data into an estimate of its greenhouse gas emissions from air travel.
- AG98. If an entity uses secondary data, it shall prioritize activity or emissions data that is timely and representative of the entity's value chain activity during the reporting period. In some jurisdictions, and for some technologies, secondary data is collected annually and, therefore, the data is likely to be representative of the entity's current practice. However, some secondary data sources rely on information collected in a reporting period that is different from the entity's own reporting period.

Verified data

- AG99. An entity shall prioritize Scope 3 greenhouse gas emissions data that is verified. Verification can provide users of general purpose financial reports with confidence that the information is complete, neutral and accurate.
- AG100. Verified data might include data that has been internally or externally verified. Verification can take place in several ways, including on-site checking, reviewing calculations, or cross-checking of data against other sources. However, in some cases an entity might be unable to verify its Scope 3 greenhouse gas emissions without undue cost or effort. For example, the entity might be prevented from obtaining a complete set of verified data due to the volume of data or because the data is obtained from entities in the value chain that are separated by many tiers from the reporting entity, that is, entities that the reporting entity does not interact with directly. In such cases, an entity might need to use unverified data.

Disclosure of inputs to Scope 3 greenhouse gas emissions

- AG101. An entity shall disclose information about the measurement approach, inputs and assumptions it uses to measure its Scope 3 greenhouse gas emissions in accordance with paragraph 29(a)(iii). This disclosure shall include information about the characteristics of the data inputs as described in paragraph AG86. The purpose of this disclosure is to provide users of general purpose financial reports with information about how the entity has prioritized the highest quality data available, which faithfully represents the value chain activity and its Scope 3 greenhouse gas emissions. This disclosure also helps users of general purpose financial reports to understand why the measurement approach, inputs and assumptions the entity uses to estimate its Scope 3 greenhouse gas emissions are relevant.
- AG102. As part of the requirement in paragraph 29(a)(iii), and to reflect how an entity prioritizes Scope 3 data in accordance with the measurement framework set out in paragraphs AG88–AG100, the

entity shall disclose information that enables users of general purpose financial reports to understand:

- (a) The extent to which the entity's Scope 3 greenhouse gas emissions are measured using inputs from specific activities within the entity's value chain; and
- (b) The extent to which the entity's Scope 3 greenhouse gas emissions are measured using inputs that are verified.

AG103. This (draft) Standard includes the presumption that Scope 3 greenhouse gas emissions can be estimated reliably using secondary data and peer averages. In those rare cases when an entity determines it is impracticable to estimate its Scope 3 greenhouse gas emissions, the entity shall disclose how it is managing its Scope 3 greenhouse gas emissions. Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Financed emissions

AG104. Entities participating in financial activities face risks and opportunities related to the greenhouse gas emissions associated with those activities. Counterparties, borrowers or investees with higher greenhouse gas emissions might be susceptible to risks associated with technological changes, shifts in supply and demand and policy change, which in turn can affect the institution that is providing financial services to these entities. These risks and opportunities can arise in the form of credit risk, market risk, reputational risk and other financial and operational risks. For example, credit risk might arise in relation to public sector investments in carbon-intensive sectors, increasing the exposure to stranded assets under increasingly stringent regulations, technological shifts, and changing resource landscapes; credit risk might also arise through increased insurance liability and increased cash outflows by public sector entities arising from damages caused by physical climate risks. Reputational risk might arise from public sector entities failing to consider climate-related risks and opportunities in investment decisions, such as financing carbon-intensive projects. Entities participating in financial activities, such as central banks, public investment corporations, housing finance agencies and public pension funds, increasingly monitor and manage such risks by measuring their financed emissions. This measurement serves as an indicator of an entity's exposure to climate-related risks and opportunities and how the entity might need to adapt its financial activities over time.

AG105. An entity shall apply the requirements for disclosing greenhouse gas emissions in accordance with paragraph 29(a) when disclosing information about its financed emissions.

Other metric categories

AG106. In addition to information about an entity's greenhouse gas emissions, the entity is required to disclose information relevant to other metric categories set out in paragraph 29(b)–29(f).

AG107. In preparing disclosures to fulfil the requirements in paragraph 29(b)–29(f), an entity shall:

- (a) Consider the time horizons over which the effects of climate-related risks and opportunities could reasonably be expected to occur, described in accordance with paragraph 13;
- (b) Consider where in the entity's operational model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities or types of assets or services) (see paragraph AG31);

- (c) Consider the information disclosed in accordance with paragraph 17(a)-17(b) in relation to the effects of climate-related risks and opportunities on the entity's long-term fiscal sustainability, including services it delivers, for the reporting period;
- (d) Consider whether peer metrics, as described in paragraph 31 could be used to satisfy the requirements in whole or in part;
- (e) Consider the connections between the information disclosed to fulfil the requirements in paragraph 29(b)–29(f) with the information disclosed in the related financial statements, in accordance with paragraph B12(b)(ii). These connections include consistency in the data and assumptions used—to the extent possible—and linkages between the amounts disclosed in accordance with paragraph 29(b)– 29(f) and the amounts recognized and disclosed in the financial statements. For example, an entity would consider whether the carrying amount of assets used is consistent with amounts included in the financial statements and would explain the connections between information in these disclosures and amounts in the financial statements.

AG108. Paragraph 29(e) requires an entity to disclose whether it applies internal carbon prices in decision-making. Examples where it may be applicable for public sector entities include:

- (a) Procurement, where a carbon price is incorporated into the cost of goods and services procured; and
- (b) Internal taxes or fees, where a carbon price is charged internally, similar to intracompany transfer pricing.

AG109. In the public sector, internal carbon prices may not always be set internally by individual entities. In some jurisdictions, another public sector entity such as a central department, may establish a carbon price applicable for public sector entities for internal decision-making such as procurement, across the jurisdiction. In such cases, this may be the entity's internal carbon price even though it is developed by an external source.

Climate-related targets (paragraphs 33-37)

Characteristics of a climate-related target

AG110. Paragraph 33 requires an entity to disclose the quantitative or qualitative climate-related targets it has set, and any it is required to meet by law or regulation, including any greenhouse gas emissions targets. In disclosing these climate-related targets, the entity is required to disclose information about the characteristics of these targets as described in paragraph 33(a)-33(h). If the climate-related target is quantitative, an entity is required to describe whether the target is an absolute target or an intensity target. An absolute target is defined as a total amount of a measure or a change in the total amount of a measure, whereas an intensity target is defined as a ratio of a measure, or a change in the ratio of a measure, to a business metric.

AG111. In identifying and disclosing the metric used to set a climate-related target and measure progress, an entity shall consider peer metrics and other metrics. If the metric has been developed by the entity to measure progress towards a target, the entity shall disclose information about that metric in accordance with paragraph AG146.

Greenhouse gas emissions targets – Gross and net greenhouse gas emissions targets

AG112. If an entity has a greenhouse gas emissions target, the entity is required to specify whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. Gross greenhouse gas emissions targets reflect the total changes in greenhouse gas emissions planned within the entity's value chain. Net greenhouse gas emissions targets are the entity's targeted gross greenhouse gas emissions minus any planned offsetting efforts (for example, the entity's planned use of carbon credits to offset its greenhouse gas emissions).

AG113. Paragraph 36(c) specifies that if an entity has a net greenhouse gas emissions target it is required to also disclose a gross greenhouse gas emissions target. For the avoidance of doubt, if the entity discloses a net greenhouse gas emissions target, this target cannot obscure information about its gross greenhouse gas emissions targets.

Carbon credits

AG114. Paragraph 36(e) requires an entity to describe its planned use of carbon credits—which are transferable or tradeable instruments—to offset emissions to achieve any net greenhouse gas emissions targets the entity has set, or any it is required to meet by law or regulation. Any information about the planned use of carbon credits shall clearly demonstrate the extent to which these carbon credits are relied on to achieve the net greenhouse gas emissions targets.

AG115. In accordance with paragraph 36(e), an entity is required to disclose only its planned use of carbon credits. However, as part of this disclosure, the entity might also include information about carbon credits it has already purchased that the entity is planning to use to meet its net greenhouse gas emissions target, if the information enables users of general purpose financial reports to understand the entity's greenhouse gas emissions target.

Climate-related public policy programs and their outcomes

Governance for an entity's public policy programs

AG116. Oversight for achieving the intended outcomes of climate-related public policy programs, including setting of targets and monitoring progress, may also include collection of relevant data from other entities as responsibility to implement climate-related public policy programs may be divided among a number of entities. In such cases, the entity should disclose how the governing body oversees and monitors achievement of the intended outcomes.

AG117. If no group(s) or individual(s) has responsibility for oversight of particular climate-related public policy programs then this should be disclosed.

AG118. In preparing disclosures to fulfil the requirements in paragraphs 9, an entity shall avoid unnecessary duplication if oversight of climate-related risks and opportunities to its long-term fiscal sustainability and climate-related public policy programs are managed on an integrated basis.

Strategy for climate-related public policy programs

Climate-related risks and opportunities for climate-related public policy programs

AG119. Where an entity has climate-related public policy programs, an entity may identify those climate-related risks and opportunities faced by the other entities and/or individuals in the scope of that entity's policy objectives. For example, an entity that establishes public policy programs that apply to manufacturers would consider the heightened risks of accidental chemical releases due to more

intense flooding or more frequent wildfires for the industry to inform its public policy programs and own climate-related risks.

Strategy and Outcomes from climate-related public policy programs

AG120. Where an entity has climate-related public policy programs, it is required to disclose information that enables primary users to understand the entity's strategy and decision-making for climate-related public policy programs. Specifically, an entity shall disclose:

- (a) The scope of the entity's policy setting responsibilities to respond to climate change, including an overview of how other entities and/or individuals would be affected by them in relation to paragraph AG1(a)(i);
- (b) The entity's climate-related public policy programs, including:
 - (i) Current mitigation, adaptation and transition related climate-related public policy programs (see paragraph AG35(a)(ii) and AG35(a)(iii)), including information about the policy programs, their intended outcomes, affected entities or individuals, status and timelines of any anticipated policy programs;
 - (ii) Any climate-related transition plan policy activities (see paragraph AG35(a)(iv)), including information about key assumptions used in developing its transition plan and dependencies on which the transition plan relies;
 - (iii) How the entity plans to achieve any climate-related targets in relation to climate-related public policy programs (see paragraph AG35(a)(v)), described in accordance with paragraphs 39.
- (c) The entity's decision-making process and factors in determining its strategy for climate-related policy programs, such as:
 - (i) A description of climate-related risks and opportunities that are reasonably expected to affect the entities/individuals within the entity's scope of responsibilities as described in (a) above, including whether risks are climate-related physical or transition risks, the current and anticipated effects of these risks and opportunities on those entities within the policy setting scope, the time horizon over which the entity expects these to occur and any areas of concentration (for example, geographical areas, facilities, and types of assets);
 - (ii) A description of the outcomes that are reasonably expected to occur as a result of the entities climate-related policy programs as described in (b) above, including the scope of the entities/individuals expected to be affected, the time horizon over which the entity expects these to occur and any areas of concentration, any trade-off decisions between outcomes from climate-related public policy programs; and
 - (iii) A description of the process to identify and evaluate outcomes as a result of climate-related public policy programs, including how the entity engaged with stakeholders and experts, and the methodology, if any, for determining the internal carbon price in decision-making in relation to climate-related public policy programs;
- (d) Quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 15(a), including:
 - (i) Information about policy status, timelines and steps for implementation (e.g. legislation process);

- (ii) Any sources of implementation risks (e.g. coordination and delivery or funding risk); and
- (iii) Processes to monitor achievement of outcomes and address emerging issues.

AG121. Public policy programs influence the activities and behaviors of other public sector entities, private sector entities and/or individuals. Given the breadth of stakeholders impacted by an entities climate-related public policy programs, the entity considers many factors in its decisions to set policy programs, including, for example:

- (a) Its mandate to achieve certain outcomes such as maintaining financial stability of the economy may be considered when assessing the policy programs around carbon taxes;
- (b) The climate-related risks and opportunities for the entities and/or individuals within its mandate such as how increased frequency and severity of flooding may influence review and revisions to zoning and land use policy programs;
- (c) The potential trade-offs between different outcomes such as weighing the short, medium and long term costs and benefits from a climate-related policy to transition from fossil fuel production to renewable energy production to reduce GHG emissions but may also impact the local economy as well as workforce (see paragraph X); and
- (d) An internal carbon price used for project appraisals or policy design (see paragraph X).

AG122. An entity's planned outcomes from climate-related public policy programs could directly affect society as a whole or affect particular groups or institutions within society or affect the economy and environment. Outcomes from climate-related public policy programs could be relatively direct impacts on recipients of the entity's services. They could also be positive or negative impacts on others that are not recipients of the entity's services but who are indirectly affected by those services.

AG123. There may be strong, direct causal links between an entity's climate-related public policy programs and its outcomes, but this may not always be the case. For example:

- (a) A climate-related program to build rain gardens is intended to reduce flooding instances for residences and small businesses, while also indirectly supporting the economy by minimizing spending on flood repairs as well as reduces health risks as a result of flooding; or
- (b) A policy to introduce carbon tax may reduce GHG emissions by influencing individuals and industrial behaviors, although it may also indirectly effect inflation and the economy.

AG124. Public sector entities may use an internal carbon price as a tool for project appraisals and policy design in consideration of greenhouse gas emissions, such as carbon dioxide and methane. Paragraph 24(c) requires disclosure about description of how the internal carbon price is determined. This may be information to enable users to understand the methodology to determine the internal carbon price used for decision-making such as the approach used (e.g. estimates of a social cost or shadow price of carbon), inputs and assumptions used to determine the internal carbon price.

Current and anticipated financial effects of climate-related public policy programs (paragraph 16)

AG125. Paragraph 16 requires the entity to disclose information about the current and anticipated effects of its climate-related policy activities on its own financial position, financial performance and cash flows. For example, the anticipated increase in tax revenues from carbon taxes, increased debt and expenses from costs of climate-related policy programs or impairment of abandoned assets. This

may include disclosure of how these current and anticipated financial effects link to an entity's public budget reports.

AG126. An entity's climate-related public policy programs as disclosed in paragraph AG37(b) may result in costs to entities and individuals affected by those policy programs as well as on the entity itself. For example, senior levels of government will need to consider the anticipated financial effects of its policy programs across all sectors of the economy, including:

- (a) Other public sector entities such as lower levels of government's financial needs for implementing climate change policy programs;
- (b) Other public sector entities', private sector entities' and/or individuals' financial needs for climate adaptation to build or repair infrastructure or homes in response to climate-related physical risks such as increasing frequency and severity of weather events; or
- (c) The need for individuals to insure against increasing frequency and severity of weather events where private corporations may reduce insurance coverage, and the public sector must fulfil the role of guarantor of last resort.

AG127. Entities shall disclose estimated amounts relating to these climate-related public policy programs whether they are funded or unfunded.

AG128. Entities with climate-related public policy programs are expected to provide quantitative information about current and anticipated financial effects and paragraphs 18-20 as are expected to only applicable in rare circumstances.

Climate resilience informed public policy programs

AG129. Climate-related scenario analysis may be relevant to an entity's public policy programs for assessing, for example:

- (a) Risks to other entities or individuals that the entity sets public policy programs for including risks as a result of climate change such as climate-related physical risks or as a result of climate-related policies;
- (b) System-wide risks and macroeconomic impacts of climate change and/or policies such as potential inflation resulting from climate-related policies, or potential financial effects to a government as guarantor of last resort resulting multiple policy pathways.

AG130. In the context of climate-related public policy programs, to meet the requirements of paragraphs 23-25 an entity shall disclose information that enables primary users of general purpose financial reports to understand the climate-related scenario analysis that may have informed its policy strategy and decision making, including:

- (a) Paragraph 24(a)(i) in relation to climate-related public policy programs, that is, the implications, if any, of the entity's assessment for its climate-related public policy program strategy, including how the entity would need to respond to the effects identified in the climate-related scenario analysis;
- (b) Paragraph 24(a)(ii) in relation to climate-related public policy programs being the significant areas of uncertainty considered in the entity's climate-related scenario assessment; and
- (c) Paragraph 24(a)(iii) in relation to how the entity achieves its intended policy related outcomes.

(d) how and when the climate-related scenario analysis disclosed was carried out in relation to climate-related public policy programs (see paragraph 24(b)).

AG131. Paragraphs AG43-AG64 also apply for climate-related scenario analysis for climate-related public policy programs, however:

- (a) With regards to an entity's exposure to climate-related risks and opportunities (paragraph AG46), the entity would consider this from the perspective of the climate-related risks and opportunities to those entities and individuals within the intended scope of its climate-related public policy programs and the climate-related risks to achieving the intended outcomes (see paragraph AG119);
- (b) With regards to an entity's circumstances (paragraph AG48), generally, scenario analyses could often be performed more cost-effectively for a group of entities as part of the arrangements for developing and monitoring climate-related policies, including assessing the likely effects of implementing a planned policy activity by other entities.

Risk Management relating to an Entity's Climate-related Public policy programs

AG132. In addition to disclosures on managing climate-related risks and opportunities, the entity shall provide the information required in paragraph 27 about the processes and related internal management policies the entity uses to manage the achievement of intended outcomes of its climate-related public policy programs, where it has such programs.

AG133. In preparing disclosures to fulfil the requirements in paragraphs 26 and 27, an entity shall avoid unnecessary duplication. For example, although an entity shall provide the information required by these paragraphs, if oversight of climate-related risks and opportunities, and/or climate-related public policy programs is managed on an integrated basis, the entity should avoid duplication by providing integrated disclosures instead of separate disclosures for each climate-related risk, opportunity or policy activity.

AG134. Where an entity has climate-related public policy programs, entities also identify, assess, prioritize and manage:

- (a) The climate-related risks to the entities/individuals within the entity's scope of responsibilities, as disclosed per paragraph 13. For example, a public sector entity that sets policies related to insurance or infrastructure would monitor and manage the effects of climate change and the effects of its policies in areas that may be increasingly at risk of being deemed to be uninsurable by insurance agencies due to increasing severity and frequency of storms and floods; or
- (b) The outcomes that may result from its climate-related public policy programs. For example, a public sector entity that sets policies to transition from non-renewable to renewable energy would monitor the achievement of the public policy programs' intended outcomes such as reduction to greenhouse gases, and also other intended outcomes such as the impact on the economy and workforce in the jurisdiction where appropriate.

Metrics and targets for climate-related public policy programs

Greenhouse gas emissions from climate-related public policy programs

AG135. In some cases, public sector entities may have established methodologies to assess and monitor the performance and effectiveness of public policy programs, including greenhouse gas emissions

attributable to their climate-related public policy programs. Entities may also consider guidance on attributing emissions to public policy programs from other standards such as the GHG Protocol Policy and Action Standard.

AG136. Paragraph 38(a) requires entities to disclose the amount and approach to estimating the GHG emissions resulting from public policy programs. Entities shall disclose the expected outcomes from the climate-related public policy programs, as disclosed in paragraph AG120, to enable primary users to understand how the entity estimated the greenhouse gas emissions and the assessment boundary. For example:

- (a) An entity may include outcomes resulting from a fuel efficiency regulation in its estimation of greenhouse gas emissions such as:
 - (i) Intermediate effects, such as increased production of more efficient cars, increased consumption of more efficient cars, and decreased emissions per kilometer travelled; and
 - (ii) GHG effects, such as reduced tailpipe GHG emissions from cars.
- (b) An entity may include outcomes resulting from a home insulation subsidy in its estimation of greenhouse gas emissions such as:
 - (i) Intermediate effects, such as increased production of insulation, and reduced demand for electricity and natural gas for heating; and
 - (ii) GHG effects, such as reduced emissions from electricity generation and use of natural gas.

AG137. Paragraph 1939 requires an entity to disclose information about its targets for climate-related public policy programs. In determining the baseline from which progress is assessed and the greenhouse gas emissions target from the climate-related policy activity, an entity may consider:

- (a) Establishing baseline scenarios and estimate baseline emissions in the absence of the policy activity – for example, emissions generated from natural gas used for space heating in the case of a home insulation subsidy program; and
- (b) Establishing policy scenarios and estimating emissions in the presence of the policy activity, such as emissions from policy implementers - for example, emissions reductions from natural gas used for space heating in the case of a home insulation subsidy program.

AG138. Entities shall disclose greenhouse gas emissions and related targets for climate-related public policy programs, including climate-related policies in effect on or after the date of adoption of this (draft) Standard.

AG139. To enable primary users to understand the progress towards achieving its climate-related policy intended outcomes, the entity may disclose, noting the transition relief in 43(c):

- (a) An ex-ante estimated projection of greenhouse gas emissions reductions reasonably expected and attributable to the climate-related policy activity; and
- (b) Both ex-ante and ex-post estimated greenhouse gas emissions to provide both a look back at estimated actual (avoided, reduced or increased) greenhouse gas emissions attributed the climate-related policy and projected forward-looking estimate of greenhouse gas emissions reductions expected from the climate-related policy activity.

AG140. An entity shall disclose its methodologies used to determine its baseline scenario and policy scenario emissions and ex-ante and ex-post greenhouse gas emissions.

Metrics for Other Outcomes from Climate-related Public policy programs

AG141. Entities may have established metrics and reports for certain policies and public policy programs. In addition to considering established metrics that the entity reports on for its climate-related public policy programs, entities may also consider other sources such as:

- (a) Methodologies and guidance from other entities and organizations such as the UNFCCC;
- (b) Metrics reported by other peer entities with similar functions of government or climate-related policy objectives; or
- (c) Input from stakeholder engagement.

AG142. Entities shall consider which metrics are relevant to the primary users of its climate-related disclosures and consider inclusion in its general purpose financial reports directly or through cross-reference of in the entity's other reports.

AG143. Paragraph 38(b) requires entities to disclose other metrics relevant to its climate-related public policy programs. This may be metrics that entities use to monitor achievement of the outcomes of their climate-related policy activities. In selecting such metrics, entities may consider factors such as geographical scope, service areas, and affected stakeholders. This may include other metrics relating to direct impacts on nature, people or the economy such as metrics and targets to manage and monitor:

- (a) Climate-related transition risks, for example metrics to monitor implementation and outcomes from climate-related regulations;
- (b) Climate-related physical risks, for example the amount or percentage of the scope of the entity's policy setting responsibilities (e.g. geography, services, individuals or entities) is vulnerable to climate-related physical risks;
- (c) Climate-related opportunities, for example metrics to evaluate climate-related technologies and opportunities;
- (d) Sinks and reservoirs, for example land use, land-use change and forestry management metrics;
- (e) Carbon markets and non-markets, for example carbon market efficiency and effectiveness metrics;
- (f) International financial, technological and development support – such as capacity building support provided by developed nations for developing nations; and
- (g) Internal carbon prices, used for decision-making in relation to an entity's climate-related public policy programs (see paragraph AG120(c)(iii)).

AG144. The extent of data collection required for certain policy metrics may be significant and may not be possible to report on an annual basis or the costs of collecting data exceed the benefits. In such cases, certain metrics may be updated less than annually. Entities shall disclose the frequency and rationale where this may be the case.

AG145. If an entity discloses a metric taken from a source other than the IPSASB SRS, the entity shall identify the source and the metric taken.

AG146. If a metric has been developed by an entity, the entity shall disclose information about:

- (a) How the metric is defined, including whether it is derived by adjusting a metric taken from a source other than the IPSASB SRS and, if so, which source and how the metric disclosed by the entity differs from the metric specified in that source;
- (b) Whether the metric is an absolute measure, a measure expressed in relation to another metric or a qualitative measure (such as a red, amber, green—or RAG—status);
- (c) Whether the metric is validated by a third party and, if so, which party; and
- (d) The method used to calculate the metric and the inputs to the calculation, including the limitations of the method used and the significant assumptions made.

Appendix B

Appendix B: General requirements for Climate-related Disclosures

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 climate-related disclosures.

Disclosure is **impracticable** when an entity cannot apply a requirement after making every reasonable effort to do so.

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

Primary users of GPFRs (primary user) are existing and potential service recipients and their representatives and resource providers and their representatives.

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.

Fair Presentation

B3. A reporting entity shall present fairly:

- (a) Its climate-related risks and opportunities that could reasonably be expected to affect the long-term fiscal sustainability of the entity, and
- (b) Where an entity has public policy programs, the outcomes that could reasonably be expected as a result of its climate-related public policy programs (see paragraph 2).

B4. To identify an entity's climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs, an entity shall apply paragraphs B.AG1–B.AG27.

B5. Fair presentation requires disclosure of relevant information about climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs 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 climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs that are complete, neutral and free from material error.

B6. Fair presentation also requires an entity:

- (a) To present information in a manner that provides relevant, understandable, timely, comparable, and verifiable information (see Appendix C); and
 - (b) To disclose additional information as needed to enable primary users of general-purpose financial reports to sufficiently understand the effects of the entity's climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs.
- 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.

Materiality

- B8. **An entity shall disclose material information about an entity's climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs.**
- 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 primary users make on the basis of the entity's general purpose financial reports prepared for that reporting period.**
- B10. To identify and disclose material information, an entity shall apply paragraphs 0–B.AG53.

Reporting Entity

- B11. **An entity's climate-related disclosures shall be for the same reporting entity as the related financial statements (see paragraph B.AG54).**

Connected Information

- B12. **An entity shall provide information in a manner that enables users of climate-related 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 risks and opportunities and, where applicable, outcomes from climate-related public policy programs; and**
 - (b) **The connections between disclosures provided by the entity:**
 - (i) **Within its climate-related disclosures—such as connections between disclosures on governance, strategy and risk management and metrics and targets; and**
 - (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.AG55–B.AG60).**
- B13. **An entity shall identify the financial statements to which the climate-related disclosures relate.**
- 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.AG58).**
- 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.**

General Requirements

Sources of Guidance

Identifying climate-related risks and opportunities

- B16. In identifying climate-related risks and opportunities that could reasonably be expected to affect an entity's long-term fiscal sustainability, an entity shall apply the IPSASB SRS.
- B17. In addition to the IPSASB SRS:
- (a) An entity shall refer to and consider the applicability of peer disclosures. An entity may refer to and consider sector standards such as the SASB Standards and GRI Sector standards to consider applicability to the entity's circumstances.
 - (b) An entity may refer to and consider the applicability of:
 - (i) The most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of primary users of general purpose financial reports; and
 - (ii) The climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs identified by peer entities or entities that operate in the same function of government or geographical region(s).

Identifying applicable disclosure requirements

- B18. In identifying applicable disclosure requirements about climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs, an entity shall apply the IPSASB SRS.
- B19. In the absence of guidance or metrics in the IPSASB SRS that specifically applies to an entity's specific circumstances and climate-related risk and opportunity and, where applicable, outcomes from climate-related public policy programs, an entity shall apply judgement to identify information that:
- (a) Is relevant to the decision-making of and enables accountability by primary users of general purpose financial reports; and
 - (b) Faithfully represents that climate-related risk and opportunity and, where applicable, outcomes from climate-related public policy programs.
- B20. In making the judgement described in paragraph B19:
- (a) An entity shall refer to and consider the applicability of peer disclosure metrics and may consider other guidance such as SASB Standards or GRI Sector standards. An entity might conclude that such peer metrics are not applicable in the entity's circumstances.
 - (b) An entity may—to the extent that these sources do not conflict with the IPSASB SRS—refer to and consider the applicability of:
 - (i) The most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general purpose financial reports; and
 - (ii) The information, including metrics, disclosed by peer entities or entities that operate in the same function of government or geographical region(s).

- (c) An entity may—to the extent that these sources assist the entity in meeting the objective of this (draft) Standard (see paragraphs 1–2) and do not conflict with the IPSASB SRS—refer to and consider the applicability of the Sources of Guidance specified in Appendix B.AG36 -B.AG62.

Disclosure of information about sources of guidance

B21. An entity shall identify:

- (a) The specific standards, pronouncements, industry practice and other sources of guidance that the entity has applied in preparing its climate-related disclosures, including, if applicable, peer disclosure metrics; and
- (b) Other sources of guidance relating to a particular industry(s) that the entity has applied in preparing its climate-related disclosures, including in identifying applicable metrics.

Location of disclosures

B22. An entity is required to provide disclosures required by the IPSASB SRS as part of its general purpose financial reports.

B23. Subject to any regulation or other requirements that apply to an entity, there are various possible locations in its general purpose financial reports in which to disclose climate-related information. Climate-related disclosures could be included in an entity's management commentary or a similar report when it forms part of an entity's general purpose financial reports. Management commentary or a similar report is a required report in many jurisdictions. It might be known by or included in reports with various names, such as 'management report', 'management's discussion and analysis', 'operating and financial review', 'integrated report' or 'strategic report'.

B24. An entity may disclose information required by the IPSASB SRS in the same location as information disclosed to meet other requirements, such as information required by regulators. The entity shall ensure that the climate-related disclosures are clearly identifiable and not obscured by that additional information (see paragraph B.AG49).

B25. Information required by IPSASB SRS may be included in climate-related disclosures by cross-reference to another report published by the entity. If an entity includes information by cross-reference, the entity shall apply the requirements in paragraphs B.AG63–B.AG65.

Timing of reporting

B26. An entity shall report its climate-related disclosures at the same time as its related financial statements. The entity's climate-related disclosures shall cover the same reporting period as the related financial statements.

B27. Normally, an entity prepares climate-related financial disclosures for a 12-month period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude that practice.

B28. When an entity changes the end of its reporting period and provides climate-related disclosures for a period longer or shorter than 12 months, it shall disclose:

- (a) The period covered by the climate-related disclosures;
- (b) The reason for using a longer or shorter period; and

- (c) The fact that the amounts disclosed in the climate-related disclosures are not entirely comparable.
- B29. If, after the end of the reporting period but before the date on which the climate-related disclosures are authorized for issue, an entity receives information about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions in the light of the new information.
- B30. An entity shall disclose information about transactions, other events and conditions that occur after the end of the reporting period, but before the date on which the climate-related disclosures are authorized for issue, if non-disclosure of that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports.
- B31. This (draft) Standard does not mandate which entities would be required to provide interim climate-related disclosures, how frequently, or how soon after the end of an interim period. If an entity is required or elects to publish interim climate-related financial disclosures in accordance with IPSASB SRS, the entity shall apply paragraph B.AG66.

Comparative information

- B32. An entity shall disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period. If such information would be useful for an understanding of the climate-related disclosures for the reporting period, the entity shall also disclose comparative information for narrative and descriptive climate-related information (see paragraphs B.AG67–B.AG76).
- B33. Amounts reported in climate-related disclosures might relate, for example, to metrics and targets or to current and anticipated financial effects of climate-related risk and opportunity and, where applicable, outcomes from climate-related public policy programs.

Statement of compliance

- B34. An entity whose climate-related disclosures comply with all the requirements of IPSASB SRS shall make an explicit and unreserved statement of compliance. An entity shall not describe climate-related disclosures as complying with the IPSASB SRS unless they comply with all the requirements of the IPSASB SRS.
- B35. This (draft) Standard relieves an entity from disclosing information otherwise required by an IPSASB SRS if law or regulation prohibits the entity from disclosing that information (see paragraph B.AG42). An entity using this exemption is not prevented from asserting compliance with the IPSASB SRS.

Judgements, Uncertainties and Errors

Judgements

- B36. An entity shall disclose information to enable users of general purpose financial reports to understand the judgements, apart from those involving estimations of amounts (see paragraph B37), that the entity has made in the process of preparing its climate-related disclosures and that have the most significant effect on the information included in those disclosures.
- (a) Identifying climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs;

- (b) Determining which sources of guidance to apply in accordance with paragraphs B16–B20;
- (c) Identifying material information to include in the climate-related disclosures; and
- (d) Assessing whether an event or change in circumstances is significant and requires reassessment of the scope of all affected climate-related risk and opportunity and, where applicable, outcomes from climate-related public policy programs throughout the entity's value chain (see paragraph B.AG27).

Measurement uncertainty

B37. An entity shall disclose information to enable users of general purpose financial reports to understand the most significant uncertainties affecting the amounts reported in its climate-related disclosures.

B38. An entity shall:

- (a) Identify the amounts that it has disclosed that are subject to a high level of measurement uncertainty; and
- (b) In relation to each amount identified in paragraph B38, disclose information about:
 - (i) The sources of measurement uncertainty—for example, the dependence of the amount on the outcome of a future event, on a measurement technique or on the availability and quality of data from the entity's value chain; and
 - (ii) The assumptions, approximations and judgements the entity has made in measuring the amount.

B39. In identifying applicable disclosure requirements about climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs, an entity shall apply the IPSASB SRS.

B40. When amounts reported in climate-related disclosures cannot be measured directly and can only be estimated, measurement uncertainty arises. In some cases, an estimate involves assumptions about possible future events with uncertain outcomes. The use of reasonable estimates is an essential part of preparing climate-related disclosures and does not undermine the usefulness of the information if the estimates are accurately described and explained. However, high levels of measurement uncertainty could potentially diminish the reliability of an estimate in providing useful information. In the context of climate-related disclosures, the incorporation of qualitative information can also enhance the overall usefulness of the information.

B41. The requirement in paragraph B37 for an entity to disclose information about the uncertainties affecting the amounts reported in climate-related disclosures relates to the estimates that require the entity's most difficult, subjective or complex judgements. As the number of variables and assumptions increases, those judgements become more subjective and complex, and the uncertainty affecting the amounts reported in the climate-related disclosures increases accordingly.

B42. The type and extent of the information an entity might need to disclose vary according to the nature of the amount reported in the climate-related disclosures—the sources of and the factors contributing to the uncertainty and other circumstances. Examples of the type of information an entity might need to disclose are:

- (a) The nature of the assumption or other source of measurement uncertainty;

- (b) The sensitivity of the disclosed amount to the methods, assumptions and estimates underlying its calculation, including the reasons for the sensitivity;
- (c) The expected resolution of an uncertainty and the range of reasonably possible outcomes for the disclosed amount;
- (d) An explanation of changes made to past assumptions concerning the disclosed amount, if the uncertainty remains unresolved.

Errors

- B43. An entity shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is impracticable to do so.
- B44. Prior period errors are omissions from and misstatements in the entity's climate-related disclosures for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that:
- (a) Was available when the climate-related disclosures for that period(s) were authorized for issue; and
 - (b) Could reasonably be expected to have been obtained and considered in the preparation of those disclosures.
- B45. Corrections of errors are distinguished from changes in estimates. Estimates are approximations that an entity might need to revise as additional information becomes known.
- B46. If an entity identifies a material error in its prior period climate-related disclosures, it shall apply paragraphs B.AG73–B.AG77.

Appendix B.AG

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

This Appendix is an integral part of [draft] IPSASB ED SRS X.

Climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs (see paragraph B5-B7)

- B.AG1. This Standard provides principles for an entity to disclose information about its climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs (see paragraphs 1-2).
- 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.AG20-B.AG25):
- (a) To identify the climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs; and
 - (b) To determine the scope of its value chain, including its breadth and composition, in relation to each of those climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs.
- B.AG3. In identifying the climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs (paragraphs B.AG16-B.AG27) and determining related material information for disclosure, an entity shall:
- (a) Understand its context (paragraphs B.AG4-B.AG15); and
 - (b) Determine material information for disclosure (paragraphs B.AG28-B.AG53).

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 climate-related risks and opportunities and, where applicable, outcomes climate-related public policy programs. To understand from an entity's own context, the entity should understand its activities, relationships, stakeholders, and its climate context in which these occur.
- 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, the geographic location of these activities, the operating 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. Where an entity has public policy programs, its public policy programs influence the behaviors and activities of other public sector entities, private sector entities, and/or individuals. Public policy programs refer to any incentives or obligations for other entities or individuals, and may include but is not limited to laws, directives, and decrees; regulations and standards; taxes, charges, subsidies and incentives. This does not include an entity's internal policies that apply to the entity itself. An entity should consider all aspects of its public policy programs in understanding its own context, including its policy mandate and objectives and the entities or individuals that are or would be affected by its policies.

- B.AG7. An entity's relationships are those across its value chain, including upstream suppliers and service providers, and downstream delivery of services or goods to beneficiaries, or implementation of policies by other entities or individuals. For example:
- (a) A public hospital's relationships across its value chain may include upstream suppliers of medical equipment and emergency vehicles as well as downstream patients receiving services;
 - (b) A regulator's upstream relationships may include legislative bodies that approve policies while downstream relationships include public or private corporations that are required to implement and adopt the regulator's policies;
 - (c) A taxation authority's upstream relationships may include legislative bodies and downstream relationships include private corporations and individuals that are required to pay taxes.
- B.AG8. Public sector value chains are based on public value creation, rather than profit oriented, through providing essential services to improve service recipients' quality of life and fostering trust in the jurisdiction. Value chains for an entity and, as applicable, public policy programs, are often complex, involving relationships and interactions with multiple stakeholders, including citizens, other public sector agencies, private corporations and nonprofit institutions.
- B.AG9. Public sector entities serve the public interest and have a wide-ranging set of stakeholders, including primary users. Climate-related reporting shall consider all relevant stakeholders whose interests could reasonably be expected to be affected by the entity's activities, including those that may have a direct relationship with the entity (e.g. employees, local communities, suppliers, other entities or individuals that may be affected by public policy programs) or those who do not or are unable to articulate views (e.g. future generations).
- B.AG10. An understanding of these stakeholders supports identification of climate-related risks and opportunities and outcomes as a result of climate-related public policy programs. This may result in a broad set of climate-related risks and opportunities and outcomes from climate-related public policy programs as engagement may be with a broader group than primary users of general purpose financial reports. However, this information will support the ultimate determination of material information that meets the needs of primary users for decision making and accountability purposes.
- B.AG11. This is consistent with the guidance in the Conceptual Framework in relation to GPFRs, that acknowledges that while users other than the primary users may find the information provided by GPFRs useful, GPFRs are not developed to specifically respond to their information needs.
- B.AG12. Climate-related reporting should consider the wider context and latest international developments on climate. Climate context includes:
- (a) Objective and authoritative developments and measures such as scientific research or consensus on climate 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.

- B.AG13. An entity shall understand its role, objectives and how it contributes to deliver on climate change commitments, including the latest international agreements on climate change and related regional, national or subnational transition and adaptation plans. For example, an energy regulator whose objective is to ensure safe and efficient delivery of energy to its jurisdiction will contribute to climate change commitments by setting policies that support resource development of lower-emitting energy sources. In addition, the energy regulator would also identify climate-related risks and opportunities such as emissions from its operations or physical risks to facilities located near areas with increasing frequency of severe wildfires.
- B.AG14. If certain processes or assessments have been performed by higher levels of government relating to these commitments, such as processes to engage relevant stakeholders, established national risk registers or climate-related scenario analysis, an entity may consider the applicability of these to the entity's own circumstances and may avoid duplication of efforts to the extent applicable.
- B.AG15. The entity shall consider the activities, relationships, stakeholders, and climate context of all the entities it controls or has an interest in (e.g., controlled entities, joint arrangements, associates or holdings of other minority interests).

Identify climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs

Engagement with Stakeholders to Identify Outcomes from Climate-related Public policy programs

- B.AG16. Public sector entities regularly engage with stakeholders on various issues. To support its climate-related reporting, an entity should also seek to consult relevant stakeholders directly or through their representatives and consult internal and external experts to provide input or feedback on its conclusions regarding outcomes.
- B.AG17. 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.
- B.AG18. In such cases, the entity may engage with credible stakeholder representatives or proxy organizations (e.g., non-governmental organizations, trade unions). For example, when considering a decision to introduce a strategy 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.

Peer / Industry disclosures

- B.AG19. Entities are encouraged to consider the applicability of climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs that are common to other entities with similar operations, function of government, and/or geographic location as such disclosures may be expected by primary users of general purpose financial reports and may inform an entity's materiality judgements.

Reasonable and supportable information

- B.AG20. To identify climate-related risks and opportunities and , where applicable, outcomes from climate-related public policy programs, including the processes to engage relevant stakeholders (see

paragraphs B.AG16-B.AG18), the entity shall use all reasonable and supportable information available to the entity without undue cost or effort.

- B.AG21. 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 an entity’s climate-related risks and opportunities—reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions.
- B.AG22. 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.
- B.AG23. 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.
- B.AG24. An entity need not undertake an exhaustive search for information to identify an entity’s climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs. 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 primary users. That assessment can change over time as circumstances change.
- B.AG25. In some cases, an entity may leverage another entity’s processes, such as a national risk register or climate-related scenario analysis performed by centralized public sector entities in its jurisdiction. The entity shall consider the applicability of the other entity’s processes and findings and where applicable, cross-reference to the other entity’s reports and consider whether additional entity-specific information is required for users’ decision making and accountability needs.

Reassessment of the scope of climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs

- B.AG26. Climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs may change over time as the entity’s activities, relationships, stakeholders and climate context evolve. New activities, new relationships, and major changes in operations or the operating context could lead to changes in the entity’s climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs. For this reason, the entity may, but is not required to, reassess its context and identify risks and opportunities and, where applicable, outcomes from climate-related public policy programs on an ongoing basis.
- B.AG27. At a minimum, an entity shall reassess the scope of all affected climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs 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 primary 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 operations model, activities or structure (for example, changes in structure or climate change policies following a change in political leadership);
- (b) A significant change in exposure to climate-related 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); and
- (c) 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).

Materiality (see paragraphs B8-B10)

- 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 lenders and corporations that provide resources to, and transact with, government.
- B.AG29. 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 basis of the entity's general purpose financial reports prepared for that reporting period.
- B.AG30. 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.
- B.AG31. Service recipients and resource providers require climate-related information for accountability purposes that contributes to and informs decision making. Climate-related information needs for accountability and decision making may be different for different users. For example, a service recipient may look for information on the entity's climate resilience and ability to deliver its service objectives in light of climate-related physical risks to inform how they vote or where they choose to live; while a central government may look for the entity's effective implementation of policies and contribution to national transition and adaptation plans to inform its policy setting strategies and/or allocation of resources.
- B.AG32. Climate-related disclosures are prepared for primary users who have a reasonable knowledge of public sector programs and operations and who review and analyse the information diligently. At times, even well-informed and diligent users may need the aid of an adviser to understand climate-related information.
- B.AG33. 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.

Identifying material information

- B.AG34. 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.

- B.AG35. To identify material information about a climate-related risk or opportunity, or, where applicable, a climate-related policy outcome, an entity shall apply, as the starting point, the requirements of this [draft] Standard.
- B.AG36. 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 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 risk or opportunity or, where applicable, the magnitude and nature of a climate-related policy outcome.
- B.AG37. 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.
- B.AG38. Though materiality judgements are specific to an entity, entities are encouraged to consider the applicability of disclosures provided by peers. 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 where an entity may be expected to incur that risk.

Qualitative judgements in materiality

- B.AG39. An entity generally assesses whether information is quantitatively material by considering the magnitude, such as 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 primary users make on the basis of that information.
- B.AG40. However, an item of information could reasonably be expected to influence primary users' decisions and assessment of accountability regardless of magnitude or size compared against the entity's financial position, financial performance and cash flows. For example:
- (a) How grave or difficult it is to remediate greenhouse gas (GHG) emissions may influence an entity's primary users' decisions regardless of the size of those emissions;
 - (b) The lack of processes, such as the lack of climate-related reporting processes, could be material information;
 - (c) The number of individuals affected by climate-related policies may be of such magnitude that it could reasonably be expected to influence decisions of primary users; and
 - (d) The range of estimates and the number of assumptions required to estimate the financial effects of a climate-related opportunity could influence how useful the information may be to meet primary users' accountability and decision-making needs.
- B.AG41. Information about a single climate-related risk or opportunity or, where applicable, outcomes from climate-related public policy programs may not be material on an individual basis, but similar climate-related risks or opportunities or, where applicable, outcomes from climate-related public policy programs 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 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.

B.AG42. With regards to potential future climate-related risks and opportunities and, where applicable, outcomes from climate-related public policy programs, an entity may assess whether information is qualitatively material by considering the likelihood of the potential climate-related risk or opportunity or climate-related policy outcome. For example:

- (a) 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;
- (b) If a possible future event is expected to affect an entity or society, 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; and
- (c) Whether a climate-related opportunity is currently being pursued as part of its approved strategy, as opposed to a general opportunity for the entity, may affect how useful the information is to the user for decision making purposes

B.AG43. In some circumstances, an item of information could reasonably be expected to influence primary 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 primary users of an entity's general purpose financial reports.

B.AG44. 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, including the range of possible outcomes and the likelihood within that range and all pertinent facts and circumstances. 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.

Interaction with law or regulation

B.AG45. 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, in this case, such immaterial information shall not be presented in a way that obscures material information.

B.AG46. An entity shall disclose material climate-related financial information, even if law or regulation permits the entity not to disclose such information.

B.AG47. 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 to the extent allowed by law and regulation.

Reporting material information

B.AG48. 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.

B.AG49. 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 or climate-related policy outcome is unreasonably scattered throughout the climate-related disclosures;
- (d) Items of information that are dissimilar are inappropriately aggregated;
- (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.AG50. 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.

Aggregation and disaggregation

B.AG51. 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.

B.AG52. 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 risks and opportunities and outcomes from climate-related public policy programs, for example, by geographical location.

B.AG53. Although the requirements in the [draft] Standard does not explicitly require disclosure of some climate-related matters such as reduced access to fresh water, biodiversity loss, deforestation and climate-related social impacts, disclosures about these and other such matters are required if an entity determines that the information is material for users of climate-related disclosures. Similarly, climate-related matters from an entity's non-climate-related policies, for example policies related to coal power generation, are required if an entity determines that information is material for users of climate-related disclosures.

Reporting entity and connected information (paragraph B11-B15)

B.AG54. Climate-related disclosures should be reported for the same reporting entity as the related general purpose financial statements. This enables primary users of general purpose financial reports to

understand the effects of climate-related risks and opportunities and outcomes from climate-related public policy programs on the reporting entity's finances.

B.AG55. Paragraph B22 requires an entity to provide information in a manner that enables primary users of general purpose financial reports to understand connections both between the items to which the information relates and between disclosures provided by the entity in its general purpose financial reports.

B.AG56. Connected information provides insight into connections between the items to which the information relates. For example:

- (a) If an entity passed a particular climate-related policy and that resulted in an increase in the entity's tax revenue, connected information will depict that relationship between the entity's strategy and its financial statements;
- (b) If an entity identified a trade-off between two climate-related risks it is exposed to or outcomes from different climate-related policy pathways, and took action on the basis of its assessment of that trade-off, connected information will depict the relationship between those risks or outcomes 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.

B.AG57. Connected information includes:

- (a) Connections between various types of information about a particular climate-related risk or opportunity or climate-related policy outcome, 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 risks and opportunities and, where applicable, outcomes from climate-related public policy programs. For example, if an entity integrates its oversight of climate-related risks and opportunities and outcomes from climate-related public policy programs, the entity shall integrate the disclosures on governance instead of providing separate disclosures on governance for each climate-related risk and opportunity and outcomes from climate-related public policy programs.

B.AG58. Drawing connections between disclosures involves, but is not limited to, providing necessary explanations and 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.AG59. 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 value chain could amplify

or, in contrast, reduce its climate-related risks and opportunities. The entity might need to link the information about its use of natural resources or changes within its value 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.

B.AG60. Other examples of connected information include:

- (a) An explanation of the combined effects of the entity's climate-related risks and opportunities and its strategy on its long-term fiscal sustainability over the short, medium and long term. For example, an entity might face social pressure and increasing demand 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 risks and opportunities and outcomes from climate-related public policy programs, including a description of the trade-offs between those climate-related risks and opportunities and outcomes from climate-related public policy programs that the entity considered (see paragraph 38). For example, an entity might need to explain the potential effects of its policies to support transition to renewable energy in response to climate-related risks on local communities.

General Requirements

Sources of Guidance (paragraphs B16-B35)

B.AG61. An entity may—to the extent that these sources assist the entity in meeting the objective of this Standard (see paragraphs 1–2) and do not conflict with IPSASB SRS—refer to and consider the applicability of sources such as:

- (a) The Global Reporting Initiative Standards;
- (b) UN CEEA; and
- (c) Country or region-specific sources (e.g. European Sustainability Reporting Standards).

B.AG62. In applying the sources of guidance specified in paragraph B.AG61, an entity shall not obscure material information required by the IPSASB SRS (see paragraph B.AG58). If an entity applies the sources of guidance specified in paragraph B.AG61 without applying the requirements the IPSASB SRS, the entity shall not make an explicit and unreserved statement of compliance with IPSASB SRS.

Information included by cross-reference (paragraph B25)

B.AG63. Information required by IPSASB SRS might be available in another report published by the entity. For example, the required information could be disclosed in the related financial statements. Material information can be included in an entity's climate-related disclosures by cross-reference, provided that:

- (a) The cross-referenced information is available on the same terms and at the same time as the climate-related disclosures; and

- (b) The climate-related disclosures are not made less understandable by including information by cross-reference.

B.AG64. Information included by cross-reference becomes part of the climate-related disclosures and shall comply with the requirements of the SRS. For example, it needs to be relevant, representationally faithful, comparable, verifiable, timely and understandable. The body(s) or individual(s) that authorizes the general purpose financial reports takes the same responsibility for the information included by cross-reference as it does for the information included directly.

B.AG65. If information required by the SRS is included by cross-reference:

- (a) The sustainability-related financial disclosures shall clearly identify the report within which that information is located and explain how to access that report; and
- (b) The cross-reference shall be to a precisely specified part of that report.

Interim Reporting (paragraph B31)

B.AG66. In the interest of timeliness and cost considerations, and to avoid repetition of information previously reported, an entity may be required or choose to provide less information at interim dates than it provides in its annual climate-related disclosures. Interim climate-related disclosures are intended to provide an update on the latest climate-related information. These disclosures focus on new information, events and circumstances and do not duplicate information previously reported. Although the information provided in interim climate-related disclosures may be more condensed than in annual climate-related disclosures, an entity is not prohibited or discouraged from publishing a complete climate-related disclosures report as specified in this (draft) Standard as part of its interim general purpose financial report.

Comparative Information

B.AG67. Paragraph B32 requires an entity to disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period.

Metrics

B.AG68. In some cases, the amount disclosed for a metric is an estimate. Except as specified in paragraph B.AG69, if an entity identifies new information in relation to the estimated amount disclosed in the preceding period and the new information provides evidence of circumstances that existed in that period, the entity shall:

- (a) Disclose a revised comparative amount that reflects that new information;
- (b) Disclose the difference between the amount disclosed in the preceding period and the revised comparative amount; and
- (c) Explain the reasons for revising the comparative amount.

B.AG69. In applying the requirement in paragraph B.AG73, an entity need not disclose a revised comparative amount:

- (a) If it is impracticable to do so (see paragraph B.AG72);
- (b) If the metric is forward-looking. Forward-looking metrics relate to possible future actions, events and other conditions. The entity is permitted to revise a comparative amount for a forward-looking metric if doing so does not involve the use of hindsight.

B.AG70. If an entity redefines or replaces a metric in the reporting period, the entity shall:

- (a) Disclose a revised comparative amount, unless it is impracticable to do so;
- (b) Explain the changes; and
- (c) Explain the reasons for those changes, including why the redefined or replacement metric provides more useful information.

B.AG71. If an entity introduces a new metric in the reporting period, it shall disclose a comparative amount for that metric unless it is impracticable to do so.

B.AG72. Sometimes, it is impracticable to revise a comparative amount to achieve comparability with the reporting period. For example, data might not have been collected in the preceding period in a way that allows retrospective application of a new definition of a metric, and it might be impracticable to recreate the data. If it is impracticable to revise a comparative amount for the preceding period, an entity shall disclose that fact.

Errors

B.AG73. Paragraph B43 requires an entity to correct material prior period errors.

B.AG74. Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for metrics or targets, oversights or misinterpretations of facts, and fraud.

B.AG75. Potential reporting period errors discovered in that period are corrected before the climate-related disclosures are authorized for issue. However, material errors are sometimes not discovered until a subsequent period.

B.AG76. If an entity identifies a material error in its prior period(s) climate-related disclosures, it shall disclose:

- (a) The nature of the prior period error;
- (b) The correction, to the extent practicable, for each prior period disclosed; and
- (c) If correction of the error is impracticable, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

B.AG77. When it is impracticable to determine the effect of an error on all prior periods presented, the entity shall restate the comparative information to correct the error from the earliest date practicable.

Appendix C

Appendix C: Qualitative Characteristics

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.
- 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.
- C3. Climate-related information is useful if it has the qualitative characteristics of relevance, faithful representation, understandability, timeliness, comparability and verifiability.

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.
- C5. Climate-related information has confirmatory value if it confirms or changes past (or present) expectations.
- 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 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.

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.
- 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.
- 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 risk or opportunity, or outcome from climate-related policy activity includes all material information necessary for primary users to understand that risk, opportunity or outcome.
- 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.
- 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 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 effects or opportunities are not overstated and negative effects or risks are not understated. Equally, the exercise of prudence does not allow for the understatement of positive effects or opportunities or the overstatement of negative effects or risks.
- 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.
- 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.
- 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 the estimate.

Understandability

- C17. Climate-related financial information shall be clear and concise. For climate-related financial disclosures to be concise, they need:
- (a) To avoid generic information, sometimes called 'boilerplate', that is not specific to the entity;
 - (b) To avoid duplication of information in the general purpose financial reports, including unnecessary duplication of information also provided in the related financial statements; and
 - (c) To use clear language and clearly structured sentences and paragraphs.
- 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.
- 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.
- 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.
- 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.
- C22. Understandability is enhanced when information is classified, 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.
- 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.
- 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.

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.

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.
- 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.
- 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.

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:
- C30. The information represents the phenomena that it purports to represent without material error or bias; or
- C31. An appropriate recognition, measurement, or representation method has been applied without material error or bias.
- 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.
- 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 help 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
 - (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.

- 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.

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.
- 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 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 has considered 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.

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.
- 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.
- 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.

- 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 may 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.
- 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.
- 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.

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.
- 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.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, [draft] IPSASB ED SRS X.

- BC1. IPSASB SRS ED, X Climate-related Disclosures is a result of proposals set out in the Consultation Paper (CP), *Advancing Public Sector Sustainability Reporting* published in May 2021. Respondents strongly supported the need for public sector specific sustainability reporting standards, prioritizing climate-related disclosures as the most urgent topic.
- BC2. Consistent with IPSAS, IPSASB SRS standards are designed to apply to public sector entities that meet all of the following 3 criteria:
- (a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;
 - (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
 - (c) Do not have the primary objective to make profits.
- BC3. Paragraph 1.8 of the IPSASB Conceptual Framework provides a wide range of examples of public sector entities for which the standards are designed
- (a) National, regional, state/provincial and local governments;
 - (b) Government ministries, departments, programs, boards, commissions, agencies;
 - (c) Public sector social security funds, trusts and statutory authorities; and
 - (d) International governmental organizations.
- BC4. Services encompasses goods, services and policy advice, including to other public sector entities.

Primary users and Public Sector Policy and Regulatory Role

- BC5. General purpose financial reports of public sector entities are developed primarily to respond to the information needs of service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes.
- BC6. Consistent with the IPSASB Conceptual Framework, the IPSASB agreed that service recipients and resource providers, including representatives of these such as legislature (or a similar body), members of parliament (or a similar representative body) are also the primary users of climate-related disclosures.
- BC7. Service recipients and resource providers include citizens, residents who pay taxes, multilateral or bilateral donor agencies and lenders that provide resources, including investors.
- BC8. Therefore, the primary users of public sector reporting are broader than for private sector standards where the primary user is existing and potential investors. However, based on the IPSASB's experience in setting International Public Sector Accounting Standards, while the information needs of non-investor public sector users may often align with those of investors in many cases - information needs generally differ where there are transactions unique to the public sector.
- BC9. In the case of climate-related disclosures, the IPSASB decided that the regulatory role of public sector entities is a key characteristic of the public sector that requires disclosures not required for the private sector.

- BC10. In particular, as a result of their sovereign powers, governments and other public sector entities have the ability to regulate other entities, including other public sector entities, private sector entities and/or individuals, either directly or through specifically created agencies. The underlying public policy rationale for regulation is to safeguard public interest in accordance with specified public policy objectives, such as combatting climate change.
- BC11. The IPSASB considered the similarities of the public sector to that of the private sector, and developed the (draft) ED to address the information needs for entities based on private sector guidance. Furthermore, the IPSASB developed additional application guidance for public sector entities that establish public policy programs for other entities or individuals, such as regulation, legislation, subsidies, taxes.
- BC12. Most CP respondents supported the approach of building off private sector guidance to the extent appropriate, starting with the IFRS Sustainability Disclosure Standards, but also considering the multistakeholder approach from GRI Standards.
- BC13. Therefore, IPSASB SRS ED X has been developed using the following primary sources:
- (a) Consultation Paper (CP), *Advancing Public Sector Sustainability Reporting* and feedback from constituents drive the principles and needs for public sector sustainability reporting;
 - (b) IPSASB literature including the IPSASB Conceptual Framework (CF) which addresses general purpose financial reports and non-financial information, provides key public sector concepts (e.g. defines primary users, the objective of reporting being for decision making and accountability, defines reporting entity and qualitative characteristics of reporting) and Reporting Practice Guidelines;
 - (c) International standards:
 - (i) Building on ISSB Sustainability Disclosure Standards using IPSASB's existing process for Reviewing and Adapting IASB Documents, and
 - (ii) Applying relevant GRI Standards guidance.
- BC14. During the development of this [draft] Standard, the IPSASB considered the challenges to developing public sector-specific sustainability reporting standards, specifically:
- (a) The need for public sector specific guidance: given the diversity of services and reporting contexts, across different levels of public sector entities;
 - (b) The need for alignment with private sector guidance where possible and appropriate: given the importance of interoperability due to (i) the interaction of value chains across public and private sector reporting and (ii) investors will be primary users of public sector sustainability reporting which will be important given the capital inflows needed to address climate change; and
 - (c) The urgent need for a climate-related disclosure standards given the urgency of addressing climate change and the importance of public sector action in bringing about widespread changes.
- BC15. To balance these potential challenges, the draft Standard provides application guidance for the public sector's unique role in public policy programs, such as legislation and regulation, while aligning requirements and guidance (i.e., activities other than those related to setting policies for

other entities) with private sector disclosure requirements, primarily from IFRS S2 *Climate-related Disclosures* (IFRS S2).

- BC16. Given the potential breadth of public sector entities' mandates, the volume of public sector policies, and the need to balance practical implementation and cost-benefit challenges, the IPSASB decided that the scope of public policy programs required for disclosure be limited to those with a primary objective to address climate change. The IPSASB acknowledged that many policies will have an effect on climate, however, it would be onerous to require disclosure for the direct and indirect climate effects of all public policy programs of the public sector. Further, where an entity determines information relating to other public policy programs is material in the context of climate, e.g. via stakeholder engagement, the entity is not precluded from providing such disclosures.
- BC17. The IPSASB decided that guidance aligned with IFRS S2 should meet the core information needs of primary users of public sector climate-related disclosures and would provide information regarding the entity's long term fiscal sustainability, including efficient delivery of services, that enabled better decision making and accountability.
- BC18. As this [draft] Standard will be the first IPSASB SRS, the IPSASB also leveraged appropriate parts of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) to provide the framework, guidance included in Appendix B and C, that are needed to support climate reporting.

Objective and Scope

- BC19. Many countries have signed or ratified the latest international agreement on climate change, have national commitments enforceable through legislation and/or have developed national transition and adaptation plans. Consistent with these requirements, and the IPSASB Conceptual Framework, the objective of this climate-related disclosures standard is to provide information for primary users that support decision making, and accountability for the actions taken to deliver on these international commitments. Reporting and disclosure are not an aim in and of itself, but it should help encourage the changes in individual and corporate behaviors and global actions more broadly that are needed to combat climate change.
- BC20. At the time of developing the [draft] Standard, the latest international agreements on climate change were the Paris Agreement and the United Nations Sustainable Development Goals (SDGs).
- BC21. The IPSASB acknowledged that not all countries have signed or will sign the latest international agreements on climate change and that each country's national strategies provide more specific commitments. However, the IPSASB decided that it was important for the standard to be capable of being used to support accountability for the delivery of climate-change programs in accordance with the latest international agreements.

Climate-related risks and opportunities and their effect on an entity's long-term fiscal sustainability

- BC22. The IPSASB decided that, unlike in the private sector, the information needs for the primary users of public sector climate-related disclosures extend beyond financial effects of climate-related risks and opportunities and should also include the effects on an entity's services and resources.
- BC23. The IPSASB decided that this broader concept of an entity's prospects is captured by 'long-term fiscal sustainability' as defined in the Reporting Practice Guideline (RPG) 1, *Reporting on the Long-term Sustainability of an Entity's Finances*.

- BC24. RPG 1 was approved through the IPSASB's due process which addresses the complex operational model for public sector entities, including each of the inter-related dimensions of long-term fiscal sustainability, comprising services, revenue and debt. RPG 1 was amended during 2023 to provide implementation guidance to emphasize and explain its applicability to reporting information on the impact of sustainability programs.
- BC25. The IPSASB reflected on the public sector context, its operations, operational model and value chain and determined that it was important to clarify and define these for public sectors to understand and determine how to apply the S2 aligned requirements for an entity's own operations.
- BC26. Specifically, the IPSASB decided that an entity's own operations shall include all public sector activities, ranging from service delivery to policy setting. However, reporting on the public policy programs, including the performance and effectiveness of those programs, is excluded from reporting on the climate-related risks and opportunities to an entity's own operations. Such reporting on public policy programs would be addressed by the guidance on climate-related public policy programs.
- BC27. Further, reporting on the downstream activities relating to public policy programs such as the emissions from policy takers and implementers, is not intended to be included in the disclosures of an entity's own operations. The IPSASB noted that the scope 3 emission categories according to the GHG Protocol Corporate Standard does not include such emissions from public policy programs and therefore it is not included in an entity's reporting of scope 3 emissions from its own operations.

Addressing Impacts through Outcomes from Climate-related Public policy programs

- BC28. In response to the Consultation Paper, *Advancing Public Sector Sustainability Reporting*, respondents supported the need for broader reporting by the public sector given its public interest role.
- BC29. To address this call from respondents as well as to address the additional transparency demands of policy and regulatory role of public sector entities, the IPSASB decided that information about the outcomes from public sector entity's public policy programs should be included in public sector climate-related disclosures.
- BC30. The IPSASB acknowledges that there is existing reporting practice about 'impacts', however, noted that there is varied understanding of the meaning of the term 'impacts' across sustainability reporting and the sustainable development space. For example, the following are varying definitions of impacts:
- (a) Capitals Coalition defines natural capital impact as the negative or positive effect of business activity on natural capital;
 - (b) GRI defines impact as the effect an organization has or could have on the economy, environment, and people, including effects on their human rights, as a result of the organization's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible. These impacts indicate the organization's contribution, negative or positive, to sustainable development;
 - (c) The Impact Management Platform defines impact management as the process by which an organization understands, acts on and communicates its impacts on people and the natural

environment, in order to reduce negative impacts, increase positive impacts, and ultimately to achieve sustainability and increase well-being.

- BC31. Given the variation in definitions, some of which focus on very specific understandings of impacts while others are much broader, the IPSASB considered the extent to which IPSASB's existing literature could help address the challenges, in particular guidance in the IPSASB Conceptual Framework and Recommended Practice Guideline (RPG) 3, *Reporting Service Performance Information*.
- BC32. The Conceptual Framework provides useful overarching context: (i) The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to primary users for accountability purposes and for decision-making purposes and (ii) The primary users of General Purpose Financial Reports (GPFRs) are service recipients and their representatives, and resource providers and their representatives (referred to as 'service recipients and resource providers').
- BC33. Although the IPSASB literature does not explicitly define 'impacts', it is referenced in the definition of 'outcomes' in RPG 3, which describes 'outcomes' as 'the impacts on society which occur as a result of, or are reasonably attributable to the entity's outputs'. Additionally, 'outputs' are defined in RPG 3 as 'services provided by an entity to recipients external to the entity'.
- BC34. These definitions were approved through the normal IPSASB due process and updated to emphasize its applicability to sustainability reporting programs in 2023 through Implementation Guidance and Illustrative Examples.
- BC35. While the outcomes definition refers to 'impacts', it is consistent with the guidance in the Conceptual Framework in that it considers only those impacts 'which occur as a direct result of, or are reasonably attributable to, an entity's outputs. This is consistent with the guidance in the Conceptual Framework in relation to GPFRs, that while users other than the primary users may find the information provided by GPFRs useful, GPFRs are not developed to specifically respond to their information needs.
- BC36. This definition also provides a more clearly defined reporting boundary than 'impacts' may in some interpretations. The approach is more consistent with the reporting model in IPSASB's Conceptual Framework as well as the TCFD model and the Integrated Reporting Framework. As well as being more conceptually consistent, the Board acknowledged the practical challenges of implementation and the immediate need for reporting. Therefore, it decided that it was appropriate to require disclosures based on outcomes rather than more broad-ranging concepts of 'impacts'.
- BC37. Though the RPG 3 definition of outcomes does not include the economy and environment explicitly as in some of the definitions of impacts, the effects on economy and environment are interrelated with the effects on society and are therefore implicit in 'the impact on society'. For example, climate-related public policy programs may impact the economy, environment, and people:
- (a) Climate-related public policy programs such as providing incentives for new technologies or introducing carbon taxes may impact the economy;
 - (b) Climate-related public policy programs such as transition to new sources of energy may impact people and the workforces that previous energy producers employed; and
 - (c) Climate-related public policy programs such as grant schemes related to land use, conservation and sustainable management practices may impact the environment.

- BC38. The [draft] Standard requires disclosure of both an entity's effects on climate change, that is its GHG emissions from its value chain and operational model, while disclosure of outcomes from climate-related public policy programs on society, including impacts on the economy, environment and people, is required concerning an entity's climate-related public policy programs.

Governance

- BC39. The IPSASB acknowledged that public sector entities worldwide do not operate within a common legislative framework, nor do they have standard organizational structures, shapes or sizes.
- BC40. Despite the variation in governance structures, public sector entities do share the same public interest objective of enhancing or maintaining the well-being of citizens. Therefore, public sector governance can be described as the arrangements put in place to ensure the intended outcomes for stakeholders are defined and achieved. Such arrangements can include political, economic, social, environmental, legal and administrative structures and processes, and other arrangements.

Strategy

- BC41. The IPSASB decided that the primary user information needs relating to strategy for managing climate-related risks and opportunities for a public sector entity are in many cases the same or very similar to those for users of private sector entity reporting (i.e. investors). However, application guidance would be needed to clarify how the principles and disclosure requirements apply in the public sector context.
- BC42. As a result of the public sector's ability to exercise policy and regulatory powers to influence the activities and behaviors of other entities and/or individuals across the economy, the IPSASB decided that public sector entity's strategy for public policy programs is also a key area of difference between public and private sector climate-related disclosures. Therefore, specific application guidance addressing how an entity should report on its strategy for managing its climate-related public policy programs and outcomes were needed to address user information needs.

Strategy-related disclosures

- BC43. The IPSASB acknowledged that strategy for public sector entities may differ across functions, levels of government and jurisdictions. In some cases, entities may have significant operational freedoms to determine their own strategy to address climate-related risks and opportunities and therefore climate-related scenario analysis may support and inform its assessment of climate resilience.
- BC44. On the other hand, some entities may have limited operational freedom, limited by the mandates and responsibilities determined by a higher level of government.
- BC45. However, one of the objectives of reporting climate-related information is to hold entities accountable for their activities and contributions to climate commitments. The IPSASB decided that it is important for reporting at the entity level to enable accountability. Entities are therefore encouraged to consider their activities and contributions to climate commitments within their levels of operational freedom and organizational mandates and provide disclosures that are determined to be material for its primary users.

Financial Position, Financial Performance and Cash flows and Generally Accepted Accounting Principles

- BC46. The IPSASB considered whether the (draft) Standard should refer to IPSAS and other generally accepted accounting principles (see paragraph X) acknowledging that not all public sector entities apply accrual basis accounting.
- BC47. The IPSASB decided that, though the (draft) Standard is agnostic on the entity's financial reporting methodology and can be applied by all public sector entities including those on cash basis accounting, the use of accrual accounting, together with climate-related reporting, supports better public financial management and sustainable development.

Risk Management

- BC48. The IPSASB discussed the differences between public and private sector risk management practices and noted that though the practices are similar, it is the nature and type of risks faced that are significantly different.
- BC49. Therefore, the Board decided that the principles for disclosure requirements for a public sector entity should be aligned with IFRS S2 private sector guidance.
- BC50. The IPSASB acknowledged that many countries have established national transition and adaptation plans, based on detailed national risk assessments documented in national risk registers. Therefore, the IPSASB decided that these can be a critical resource for many public sector entities which can be leveraged as part of the entity's risk management processes.

Metrics and Targets

- BC51. The IPSASB considered the differences between metrics used for climate-related public policy programs, in particular the differences in fundamental principles, as well as core differences in metric requirements, and decided that this was a core information need for primary users of public sector climate-related disclosures. As a result, metrics and targets for climate-related public policy programs are included in both the core requirements, with additional application guidance.
- BC52. The IPSASB decided that it was appropriate to align with IFRS S2 disclosure requirements relating to GHG emissions for an entity's own operations and value chain. However, the IPSASB decided that a rebuttable presumption, that entities report GHG emissions using the GHG Protocol, was necessary to steer entities towards the same direction, enhancing consistency and comparability. This approach is intended to promote standardized GHG methodologies and to facilitate better data interoperability between entities.
- BC53. Despite this rebuttable presumption, the IPSASB decided that flexibility should be provided for preparers to use methodologies other than the GHG Protocol. This decision acknowledges that jurisdictions may have local approaches for national or subnational reporting and aims to alleviate any additional burden. IPSASB encourages entities to consider the primary user of the information and their specific needs. For instance, if primary users are donor agencies, the GHG Protocol might be a more appropriate methodology as donor agencies may need information about the climate-related risks and opportunities upstream and downstream of an entity's value chain.
- BC54. The IPSASB recognized the two approaches towards calculating Scope 2 emissions, location-based approach and market-based approach, and decided to require the location-based approach only, along with disclosures on contractual instruments into which the entity has entered, in alignment with the IFRS S2 private sector guidance. The IPSASB also noted that this will enhance

- comparability between Scope 2 disclosures without undue burden on entities (requiring disclosures from both methods).
- BC55. The IPSASB recognized the complexities surrounding Scope 3 emissions and the cost-effectiveness considerations they entail. However, it decided that it is important for entities to monitor and manage emissions along its value chain, both in global public interest and for accountability. IPSASB noted that value chain emissions and hotspots varies between entities, and hence the ED encourages entities to identify and disclose Scope 3 categories where material.
- BC56. The (draft) Standard is applicable to the same public sector entities that apply IPSAS (see paragraph BC2). Though some public sector entities may provide financial services, and therefore scope 3 category 15 – Financed emissions may be relevant, the IPSASB expects this will not be a large volume of entities for whom the (draft) Standard has been written. Any entities for which category 15 is material may consider referring to other sources of guidance such as GHG Protocol or the Partnership for Carbon Accounting Financials (PCAF).
- BC57. Entities that are using methodologies in line with the GHG Protocol might find it useful to refer to IFRS S2 Accompanying Guidance or the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard for additional guidance and examples.
- BC58. IPSASB considered whether disclosures relating to remuneration tied to climate factors would be applicable for the public sector. While IPSASB acknowledged that this is expected to be infrequent in the public sector, the IPSASB concluded that it was prudent to incorporate this aspect in the draft ED to permit such disclosures in circumstances where they may be applicable.
- BC59. The IPSASB acknowledged that there are evolving terminologies and methodologies for valuing GHG externalities, such as “internal carbon pricing”. The IPSASB explored the applicability of the terminology internationally, the applicability to public sector entities, and the importance of distinguishing internal carbon prices from the market price of carbon. In view of this, IPSASB decided that the terminology is applicable for the public sector, and agreed to align the terminology for this topic with that in IFRS S2.
- BC60. The IPSASB considered the lack of a public sector equivalent of industry-based metrics, and decide based on resources, to leverage existing private sector industry-based guidance, which the Board agreed are suitable optional reference for public sector entities in certain functions.

Climate-related public policy programs

Governance for climate-related public policy programs

- BC61. The IPSASB acknowledged that governing bodies for public sector entities are similar to those for private sector in principle, however, they often differ in their structure and responsibilities. Therefore while the disclosure requirements in paragraphs 7-8 should be applicable for the governance arrangements of each public sector entity, additional application guidance to address public sector specific circumstances is provided in paragraphs AG116-AG118.

Strategy for Climate-related Public policy programs

- BC62. The IPSASB decided that the information needs of primary users of climate-related disclosures in relation to strategy for climate-related public policy programs included additional application guidance compared with its own strategies.

- BC63. The IPSASB acknowledged that the policy roles and responsibilities of different public sector entities across different levels of government vary across different jurisdictions. Therefore, disclosures about the entity's policy role and scope of responsibilities will be critical to enable a user to understand the entity's strategy.
- BC64. Strategy for public policy programs is also complicated by the need to balance the demands of various stakeholders with budget constraints while managing the achievement of outcomes in the public interest. In many cases, this may require trade-offs that affect different groups of people and/or sectors of the economy. Therefore, disclosures are needed to provide transparency over how an entity has made decisions about prioritization of its public policy programs and its implementation strategy to ensure the intended outcomes are achieved.

Climate Resilience Informed Public policy programs

- BC65. The IPSASB acknowledged that climate-related scenario analysis is highly relevant and applicable to public sector entities.
- BC66. The IPSASB decided that the principled requirements for climate-related scenario analysis for private sector entities should be applicable for a public sector entity. However, the objective and analysis performed in relation to public policy programs would generally be broader, for example the assessment of system-wide risks by a government central bank.

Risk management for climate-related public policy programs

- BC67. Additional application guidance is also provided to address considerations for public sector public policy programs which would include identifying, assessing, prioritizing and monitoring the risks to other entities and/or individuals.
- BC68. The IPSASB initially contemplated the term "outcome management" for public policy programs, in accordance with RPG 3's focus on outcomes. However, the IPSASB considered that "Risk Management" would be a more fitting title. This choice not only aligns more closely with IFRS S2 but also encompasses the management of outcomes resulting from public policy programs.

Metrics and targets for climate-related public policy programs

- BC69. GHG emissions – In the context of entities that establish public policy programs, greenhouse gas emissions can fall under categories such as direct (Scope 1), indirect (Scope 2), and across the broader value chain (Scope 3), in categories such as business travel and upstream leased assets. The IPSASB recognizes that there could be public sector differences, such as how Scope 3 categories were developed for the private sector. Nevertheless, the IPSASB has decided to align the definitions of Scopes 1, 2, and 3 with GHG Protocol terminologies for own operations to ensure consistency and clarity in reporting and interpretation. In view of this, a separate principle-based approach is introduced to consider outcomes from climate-related public policy programs.
- BC70. Building upon the logic model framework outlined in RPG3, the IPSASB opted for a principle-based approach, recognizing the existing diversity in methodologies used by entities to attribute GHG emissions to climate-related policies. Given that jurisdictions may have established their own methodology to measure GHG emissions from climate-related public policy programs, and that there is no standardized international methodology, the IPSASB also considered that there is a certain extent of estimation involved based on multiple factors, such as what the entity considers as a reasonably attributable outcome for their policy scenario. Therefore, the IPSASB decided that

it is most appropriate if entities are provided with the flexibility to develop and disclose their own methodologies based on IPSASB's principled approach, provided that the entity discloses any necessary information that enables primary users to understand their chosen methodology.

- BC71. Other metrics – Though the IPSASB considered whether to require specific baseline metrics, the Board determined that most entities will have established metrics for monitoring policies and these metrics would generally be unique to each policy, and decided that it is most appropriate if entities are provided with the flexibility to develop and disclose other metrics based on a principled approach, as well as provide potential sources to support identification of metrics that entities may determine material information for disclosure.
- BC72. The IPSASB decided that a non-prescriptive approach is necessary, acknowledging that other metrics used to monitor and measure performance of climate-related policy activities is an evolving space and best practice metrics and data will develop over time.
- BC73. The IPSASB acknowledged the various challenges to sustainability reporting, however, the IPSASB decided that an accelerated transition, aligned with the private sector, is prudent for the (draft) Standard given the urgent need for transparency and accountability to support climate action, the need for public sector leadership to move the dial in meeting climate targets, and the availability of initial metrics and data for national climate commitments already set in the public sector will support the preparation of entities' first climate-related reports.

Effective Date

- BC74. [To be updated]

Transition

- BC75. The IPSASB acknowledged the various challenges to the implementation of climate-related reporting, however, the Board decided that an accelerated transition, aligned with the private sector, was appropriate for the (draft) Standard given the urgent need for transparency and accountability for government initiatives to support climate action, and the need for public sector leadership on meeting climate targets.
- BC76. The IPSASB decided that the likely availability of initial metrics and data for existing national climate commitments should support the preparation of entities' first climate-related reports, and therefore it is appropriate for entities to prepare climate-related disclosures for the entity's own operations and public policy programs without a differential date of adoption.

Conceptual Foundations

Fair presentation

- BC77. In the absence of an IPSASB SRS framework for sustainability reporting, this [draft] Standard includes guidance on conceptual foundations, including the qualitative characteristics of reporting climate-related information, set out in Appendix B and C. This guidance is adapted from the IPSASB Conceptual Framework and are intended to ensure that information in climate-related disclosures is useful to users of those reports and provides information to assist an entity in the preparation of climate-related disclosures.

Materiality

- BC78. The IPSASB acknowledged that at the time of developing the [draft] Standard, there was discussion on the concepts of “single” or “financial” materiality versus “double” or “financial and impact” materiality.
- BC79. The IPSASB decided that the definition of material information from the IPSASB Conceptual Framework is appropriate for climate-related disclosures given:
- (a) **The Primary Users** of public sector general purpose financial reports are service recipients and their representatives and resource providers and their representatives according to the CF. This is a broader, multistakeholder approach that goes beyond investors and is aligned with what constituents called for;
 - (b) **Objectives** of reporting are to support users in evaluating information for decision-making and accountability purposes. This extends beyond the private sector focus on decision making solely for capital allocation purposes. The principles of decision-making and accountability equally apply to climate-related reporting as with financial reporting for the public sector because of the need for accountability from a public interest perspective; and
 - (c) **Connectivity** between financial and climate-related reporting is supported by aligning definitions of materiality across suites of reporting standards.
- BC80. The IPSASB decided that materiality is pervasive throughout the Standard, guiding assessments of whether an omission or misstatement could influence users' decisions and therefore be deemed material. This evaluation involves understanding that users are assumed to have a reasonable knowledge of the public sector and economic activities and accounting and a willingness to study the information with reasonable diligence, and needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.
- BC81. There is significant judgment required in determining material information. The [draft] Standard provides additional guidance to address the nature of risks and opportunities, and outcomes from climate-related public policy programs, which are commonly considered when determining the materiality of information.
- BC82. The IPSASB considered whether information that is sensitive and/or secret should be excluded from disclosure. The Board decided that such information in the public sector is expected to be rare and should not be excluded in the public interest.

General Requirements

- BC83. The IPSASB determined that the general requirements on location of disclosures, timing of reporting, comparative information, judgments, measurement uncertainty and errors from IFRS S1 are appropriate for the public sector.
- BC84. The IPSASB further considered on the requirement to revise comparative information to reflect updated estimates and decided to align with IFRS S1, which includes an impracticability exemption, which applies to the correction of errors and when the entity redefines or replaces a metric. The requirement is scoped such that it does not mandate entities to review and revise all previously reported estimates, while ensuring that the information provided is useful for primary users without imposing undue burden on preparers.

- BC85. However, since the sources of guidance as IFRS S1 relate to sustainability-related risks and opportunities, beyond climate, and are primarily developed for the private sector, the IPSASB determined to adapt this guidance for the (draft) Standard. The IPSASB acknowledged the importance of industry-based guidance to support preparers and standardized reporting. There is no current public sector equivalent at the time of developing the standard, however, there may be certain functions of government that can consider private sector industry metrics (such as in health or education). Therefore, the IPSASB decided that SASB industry guidance should not be required for public sector entities but may choose to consider these to the extent they are relevant.
- BC86. The IPSASB acknowledged that there may be significant measurement uncertainty in relation to climate-related metrics as well as information about the effects of sustainability-related risks and opportunities on an entity's financial position, financial performance and cash flows for the reporting period, and the anticipated financial effects. For example, some of an entity's assets might be increasingly at risk from climate-related forest fire events and, therefore, this risk would be considered as part of the impairment analysis and measurement of those assets. If the frequency and severity of these fires are highly uncertain, users would need information about this uncertainty, including the fact that there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of these assets.
- BC87. Therefore, the draft Standard requires an entity to disclose information to enable users of general purpose financial reports to understand the most significant uncertainties affecting the amounts reported in the sustainability-related financial disclosures. In doing so, an entity identifies the amounts it has disclosed that are subject to a high level of measurement uncertainty, including information about assumptions, approximations and judgements in measuring the amount. This requirement is consistent with and based on paragraph 140 of IPSAS 1.

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