

Agenda Item 2.3.1**[draft] IPSASB SRS X, *Climate-related Disclosures* – with Track Changes****REVIEW INSTRUCTIONS:**

1. IPSASB members, Technical Advisors, and Observers are asked to note the following when reviewing the draft IPSASB Sustainability Reporting Standard™ (IPSASB SRS™) X, *Climate-related Disclosures*:
 - (a) When reviewing the [draft] Standard, members are encouraged to focus on clarity of drafting aligned with past Board decisions and changes made to address Board member decisions and instructions from the September 2025 meeting.
 - (b) These components are formatted as follows for easier reference:

Format	Format description
Text	<u>Key areas of focus for Board review reflecting major changes to draft final pronouncement</u>
Track changes	<u>Text changes from version reviewed in September 2025 Meeting</u>

Note: Paragraph cross-references may not all be up to date as paragraphs keep changing during drafting. Staff will do a detailed check of these before review of the final document.

**Final Pronouncement
[Month 2026]**

IPSASB SRS™

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

**IPSASB SRS [X],
*Climate-related Disclosures***

IPSASB

International Public
Sector Accounting
Standards Board®



This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting and sustainability reporting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances and sustainable development.

In meeting this objective the IPSASB sets International Public Sector Accounting Standards® (IPSAS®), IPSASB Sustainability Reporting Standards™ (IPSASB SRS™) and Recommended Practice Guidelines™ (RPG™) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

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 RPG do not provide guidance on the level of assurance (if any) to which information should be subjected.

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IPSASB SRS™ X, *CLIMATE-RELATED DISCLOSURES*

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Objective

2.1. 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 that is useful to primary users of general purpose financial reports for accountability and decision-making purposes.

3.2. This [draft] Standard requires an entity to disclose material information (see paragraph B8–B10 in Appendix B) about the climate-related risks and opportunities that could reasonably be expected to affect the long-term fiscal sustainability¹ 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 that could reasonably be expected to affect an entity's long-term fiscal sustainability”).

Scope

4.3. 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 which are:~~

(i) Climate-related physical risks; and

(ii) Climate-related transition risks; and

(b) Climate-related opportunities available to the entity.

5.4. Climate-related risks and opportunities that could not reasonably be expected to affect the long-term fiscal sustainability of an entity are outside the scope of this [draft] Standard.

6.5. An entity may apply this [draft] Standard irrespective of whether the entity's related general purpose financial statements (referred to as “financial statements”) are prepared in accordance with International Public Sector Accounting Standards (IPSAS) or other generally accepted accounting principles or practices (GAAP).

Definitions

7.6. The following terms are used in this [draft] Standard with the meanings specified:

Carbon credit is an emissions unit that is issued by a carbon crediting program 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.

¹ Long-term fiscal sustainability is defined ~~within IPSAS literature~~ in Recommended Practice Guidance (RPG) 1, *Reporting on the Long-Term Sustainability of an Entity's Finances* as “The ability of an entity to meet service delivery and financial commitments, both now and in the future”.

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 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 plan 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.

Climate-related transition risks are risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks.

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).

Indirect greenhouse gas emissions are emissions that are a consequence of the activities of an entity, but occur at sources owned or controlled by another entity.

Internal carbon price is a price used by an entity to assess the financial implications of changes to 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 charges).

Latest international agreement on climate change is the most recent agreement by central governments and 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.

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.

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.

~~Terms defined in IPSAS Standards are used in this [draft] Standard with the meanings specified in International Public Sector Accounting Standards (IPSAS) are set out in Appendix D with the same meaning as in those Standards and are reproduced in the Glossary of Defined Terms published separately.~~

Governance

~~8.7.~~ **The objective of climate-related disclosures on governance is to enable primary users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.**

~~9.8.~~ To achieve this objective, 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. Specifically, the entity shall identify that body(s) or individual(s) and disclose information about:
 - (i) How responsibilities for climate-related risks and opportunities 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;
 - (iii) How and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;
 - (iv) How the body(s) or individual(s) takes into account climate-related risks and opportunities 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 trade-offs associated with those risks and opportunities; and

- (v) How the body(s) or individual(s) oversees the setting of targets related to climate-related risks and opportunities, and monitors progress towards those targets (see paragraphs 30–33).
- (b) Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, 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, if so, how these controls and procedures are integrated with other internal functions.

Strategy

40.9. **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 climate-related risks and opportunities.**

44.10. Specifically, an entity shall disclose information about its strategy for managing climate-related risks and opportunities, including:

- (a) The climate-related risks and opportunities that could reasonably be expected to affect an entity's long-term fiscal sustainability (see paragraphs 11–12);
- (b) The current and anticipated effects of those climate-related risks and opportunities on the entity's operational model and value chain (see paragraph 12);
- (c) The effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan (see paragraph 13);
- (d) The effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning (see paragraphs 14–20); and
- (e) The climate resilience of the entity's strategy and its operational model to climate-related changes, developments, and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities (see paragraphs 21–22).

Climate-related risks and opportunities

42.11. An entity shall disclose information that enables primary users of general purpose financial reports to understand the entity's climate-related risks and opportunities that could reasonably be expected to affect the entity's long-term fiscal sustainability. Specifically, the entity shall:

- (a) Describe climate-related risks and opportunities that could reasonably be expected to affect the entity's long-term fiscal sustainability;
- (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. [\(see paragraph AG21\).](#)

~~13. Short-, medium- and long-term time horizons can vary between entities and depend on many factors, including the planning horizons typically used for strategic decision-making and capital allocation plans, and the time horizons over which primary users of general purpose financial reports conduct their assessments.~~

Operational model and value chain

[14.12.](#) 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).

Strategy and decision-making

[15.13.](#) An entity shall disclose information that enables primary users of general purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the 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 30–33;
- (b) Information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 13(a); and
- (c) Quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 13(a).

Financial position, financial performance and cash flows

~~16. Climate-related physical and transition risks may have direct financial effects on an entity's financial position, financial performance and cash flows.~~

~~17,14.~~ 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 on the entity's financial position, financial performance and cash flows for the reporting period (current financial effects); and
- (b) The anticipated effects of those climate-related risks and opportunities 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).

~~18,15.~~ Specifically, an entity shall disclose quantitative and qualitative information about:

- (a) How climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period;
- (b) The climate-related risks and opportunities identified in paragraph 15(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, 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 (see paragraph 15(d)); 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 tax legislation aligned with a lower-carbon economy; or costs arising from physical damage to assets from climate events).
- 19.16. In providing quantitative information, an entity may disclose a single amount or a range.
- 20.17. In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity 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.
- 21.18. 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.
- 22.19. 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.
- 23.20. 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 18–19, 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

- 24.21. 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. The entity shall use climate-related scenario analysis to assess climate resilience using an approach that is commensurate with the entity's circumstances (see paragraphs AG22–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 and operational model 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 and operational model, 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 and operational model 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. Whether the analysis included a diverse range of climate-related scenarios;
 - b. Whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks;
 - c. Whether the entity used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change;
 - d. Why the entity decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;
 - e. The time horizons the entity used in the analysis; and
 - f. What scope of operations the entity used in the analysis (for example, the operational locations and services included in the analysis);
 - ~~g-(ii)~~ (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

~~(ii)~~(iii) The reporting period in which the climate-related scenario analysis was carried out (see paragraph AG25–AG44).

25-22. In preparing disclosures to meet the requirements in paragraphs 12–21, an entity may refer to and consider the applicability of peer metrics associated with related disclosure topics.

Risk Management

26-23. **The objective of climate-related disclosures on risk management is to enable primary users of general purpose financial reports to understand an entity's processes to identify, assess, prioritize and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process.**

27-24. To achieve this objective, an entity shall disclose information about:

- (a) The processes and related risk management policies the entity uses to identify, assess, prioritize and monitor climate-related risks, 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

28-25. **The objective of climate-related disclosures on metrics and targets is to enable primary 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.**

Climate-related metrics

29-26. An entity shall disclose information relevant to the following metric categories of:

- (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 AG46–AG49), 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 paragraphs AG50–AG54);
 - (iii) Disclose the approach it uses to measure its greenhouse gas emissions (see paragraphs AG55–AG56) 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 paragraphs 26(a)(i)a–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 26(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 26(i)b, disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to inform primary users' understanding of the entity's Scope 2 greenhouse gas emissions (see paragraphs AG57–AG58); and
 - (vi) For Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 26(a)(i)c, and with reference to paragraphs AG59–AG82, 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 AG83–AG84);
- (b) Climate-related transition risks—the amount and percentage of operating activities or assets vulnerable to climate-related transition risks;
- (c) Climate-related physical risks—the amount and percentage of operating activities or assets vulnerable to climate-related physical risks;
- (d) Climate-related opportunities—the amount and percentage of operating activities or assets aligned with climate-related opportunities;
- (e) Capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities;
- (f) Internal carbon prices—the entity shall disclose, with reference to paragraphs AG87–AG88:
 - (i) An explanation of whether and how the entity is applying a carbon price in decision-making (for example, in procurement, ~~processes and decisions~~ investment decisions, transfer pricing and scenario analysis);
 - (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; and
- (g) 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 8(a)(v)).

30-27. In preparing disclosures to meet the requirements in paragraphs 26(b)–26(d), an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.

34-28. In preparing disclosures to meet the requirements in paragraphs 26(b)–26(g), an entity shall refer to paragraphs AG85–AG88.

32-29. An entity ~~shall~~ may 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~~ such as SASB Standards or the Global Reporting Initiative (GRI) Sector Standards.

Climate-related targets

33-30. 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 AG89–AG90);
- (b) The objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);
- (c) The scope to which the target applies (for example, whether the target applies to the entirety of the entity or only a part of the entity, such as a specific operating unit 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.

~~34.31.~~ 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.

~~35.32.~~ An entity shall disclose information about the performance against each climate-related target and an analysis of its trends or changes.

~~36.33.~~ For each greenhouse gas emissions target disclosed in accordance with paragraphs 30–32, 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 AG91–AG92);
- (d) Whether the target was derived using a sectoral decarbonization approach; and
- (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 AG93–AG94:

- (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
- (iv) Any other factors necessary for primary 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).

37-34. In identifying and disclosing the metrics used to set and monitor progress towards reaching a target described in paragraphs 30–31, an entity ~~shall~~ may refer to and consider the applicability of peer metrics (see paragraph 29), or metrics that otherwise satisfy the requirements in this [draft] Standard.

Effective Date and Transition

Effective Date

38-35. An entity shall apply this [draft] Standard for annual reporting periods beginning on or after January 1 [YYYY]. Earlier application is permitted. If an entity applies this [draft] Standard earlier, it shall disclose that fact.

39-36. For the purposes of applying paragraphs 37–41, the date of adoption is the beginning of the annual reporting period in which an entity first applies this [draft] Standard.

Transition

40-37. 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 [draft] Standard.

41-38. In the first annual reporting period in which an entity applies this [draft] Standard, the entity is permitted to report its climate-related 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 [draft] Standard.

42-39. ~~In the first three annual reporting periods in which an entity applies this [draft] Standard, the~~ entity is not required to disclose its Scope 3 greenhouse gas emissions within the first three years in which it applies this [draft] Standard (see paragraph 26(a)(i)c).

43-40. An entity may elect an earlier date of adoption without a transition period.

44-41. If an entity uses the relief in paragraph ~~6~~-39, 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] IPSASB SRS [X].

Scope and definitions (see paragraphs 3–6)

AG1. Public sector entities perform a broad range of activities in the public interest. Examples of activities could include:

- (a) Service design and delivery;
- (b) Compliance and enforcement;
- (c) Monitoring and evaluation; and
- (d) Public policy advice, design, implementation and monitoring.

AG2. Many public sector entities have their activities, objectives/mandates and authority prescribed by statute. This limits the entity's own ability to alter its activities, objectives and/or mandate, and may require coordination with other public sector entities and decision-makers to achieve the intended change.

AG2-AG3. This [draft] Standard is expected to be relevant to all public sector entities. In applying this [draft] Standard, an entity shall include all the activities in its operational model.

Climate-related risks and opportunities

AG3-AG4. Climate-related risks and opportunities can materialize through any of the activities of a public sector entity. Disclosures about climate-related risks and opportunities 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 paragraphs B.AG1–B.AG49).

AG4-AG5. Identification of climate-related risks and opportunities informs an entity's response to such risks and opportunities in the context of ensuring its long-term fiscal sustainability. Long-term fiscal sustainability includes an entity's continued ability to fulfill its objectives and is dependent on the capacity and vulnerability of its activities, revenue and debts.

AG5-AG6. The climate-related risks that an entity may face include climate-related physical risks and transition risks associated with the transition to a lower-carbon economy. Climate-related physical risks can be:

- (a) Acute physical risks – driven by events such as storms, precipitation or temperatures; or
- (b) Chronic physical risks – 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 consequences for entities.

AG6-AG7. Climate-related ~~T~~transition risks are associated with policy, legal, technology and market changes resulting from efforts to limit global warming and the move to a lower-carbon economy.

AG7-AG8. 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.

AG8-AG9. An entity may also pursue climate-related opportunities, such as sourcing renewable energy procurement that lowers energy costs and secures a stable, low-carbon supply. Climate-related risks and opportunities are distinct but not always mutually exclusive.

AG9-AG10. 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.

AG10-AG11. 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.

AG11-AG12. Due to the interconnected nature of resources and relationships in the public sector, an entity often:

- (a) Depends on other public sector entities, for example for funding and policy design, implementation and/or monitoring; or
- (b) Is affected by the activities of other public sector entities, such as being delegated responsibility for implementing programs and achieving targets set by senior levels of government.

AG12-AG13. In applying this [draft] Standard and understanding its climate-related risks and opportunities, it is important that an entity consider 6 other entities along its value chain, which may give rise to climate-related risks and opportunities for the entity itself (see paragraphs B.AG4–B.AG14). For example, a public transport authority with a target to reduce greenhouse gas emissions along its value chain should consider the climate-related strategy of its service providers, as failure to meet its target could lead to enhanced regulatory and reputational risk.

Governance (see paragraphs 7–8)

AG13-AG14. Public sector governance structures vary considerably between and across jurisdictions. However, all are designed to provide oversight of an entity's operations. For some entities, their climate-related strategy may be driven by another public sector entity such as senior levels of governments or ministries. In the public sector, it is generally rare for governance to be the responsibility of a single individual. An entity shall disclose its governance arrangements as required in paragraph 8(a).

AG14-AG15. If no group(s) or individual(s) has responsibility for oversight of particular climate-related risks and opportunities, then this fact should be disclosed.

Strategy (see paragraph 9–22)

AG15-AG16. In the public sector, climate-related strategies may be set, in many cases, by senior levels of government at regional or national levels to contribute to meeting the requirements of the latest international agreement on climate change.

AG16-AG17. 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.

AG17-AG18. Entities may also develop their own strategies to manage climate-related risks to service delivery and/or benefits from climate-related opportunities that support the entity's mandate and service objectives. An entity's strategy will vary depending on its role and responsibilities. For example:

- (a) A police force may have mitigation plans to reduce greenhouse gas emission by replacing its fleet of vehicles with electric vehicles; and
- (b) A local government may build infrastructure to address rising sea levels as part of its climate adaptation efforts.

AG18-AG19. 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.

AG20. 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 paragraph 10(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.

AG19. *Climate-related risks and opportunities*

AG21. *Short-, medium- and long-term time horizons can vary between entities and depend on many factors, including the planning horizons typically used for strategic decision-making and capital allocation plans, and the time horizons over which primary users of general purpose financial reports conduct their assessments.*

Climate resilience

AG20-AG22. Paragraph 21 requires an entity to use climate-related scenario analysis to assess its climate resilience, using an approach that is commensurate with its circumstances. 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 AG24–AG44 provide guidance on how an entity uses scenario analysis to assess the entity's climate resilience. Specifically:

- (a) Paragraphs AG24–AG31 set out the factors the entity shall consider when assessing its circumstances;
- (b) Paragraphs AG32–AG41 set out the factors the entity shall consider when determining an appropriate approach to climate-related scenario analysis; and

- (c) Paragraphs AG42–AG44 set out additional factors for the entity to consider when determining its approach to climate-related scenario analysis over time.

AG21-AG23. The current and anticipated effects of climate-related risks and opportunities include those related to:

- (a) Climate-related physical risks which could carry financial implications for an entity, such as costs resulting from direct damage to public assets and infrastructure, indirect effects of supply-chain disruption, or rising sea levels for coastal communities. The entity's long-term fiscal sustainability could also be affected by factors such as changes in water availability, sourcing and quality, or extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs and employee health and safety. Climate-related physical risks can also have economic or social implications, such as the disruption of services as a result of extreme weather events;
- (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. Climate-related transition risks can also have economic or social implications, such as shifting needs of service recipients and the development and deployment of new technology; and
- (c) Climate-related opportunities which could carry financial implications for an entity may include an increased efficiency in the use of resources, the adoption of clean energy sources or new technologies, and the development of climate adaptation solutions. For example, a transport authority may face increased costs for replacing its fleet with electric buses. Climate-related opportunities can also have economic or social implications, such as the displacement of employees resulting from the decommissioning of non-renewable energy infrastructure.

Assessing the circumstances

AG22-AG24. 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 AG25). To assess its circumstances the entity shall consider:

- (a) The entity's exposure to climate-related risks and opportunities (see paragraphs AG26–AG27); and
- (b) The skills, capabilities and resources available to the entity for the climate-related scenario analysis (see paragraphs AG28–AG31).

AG23-AG25. 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 AG44) 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

AG24-AG26. 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 identifying which risks

are included in the assessment, designing the scenario 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.

[AG25-AG27.](#) This [draft] Standard requires an entity to identify the climate-related risks and opportunities to which it is exposed (see paragraph 10(a)) and to disclose information about the process the entity uses to identify, assess, prioritize and monitor those risks and opportunities (see paragraph 24). The information the entity discloses in accordance with paragraphs 10(a) and 24 can inform the entity's consideration of its exposure to climate-related risks and opportunities.

Skills, capabilities and resources available

[AG26-AG28.](#) 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.

[AG27-AG29.](#) 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.

[AG28-AG30.](#) Entities may leverage climate-related scenario analyses performed by other public sector entities, such as higher levels of government, where the entity has a reasonable and supportable basis for using the other entity's analysis. Entities may also consider whether any additional entity-specific analysis is needed. For example, a town that is part of a larger county may determine that the scenario analysis performed by the county is relevant for analysis of its own climate resilience given the geography and similar climate-related risks and opportunities faced. However, the town may be removed from the county's waterfront and therefore could exclude considerations about sea level rise.

AG29-AG31. An entity might have a different reporting period from some or all of the entities that it leverages for climate-related scenario analysis purposes. In other 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

AG30-AG32. 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 guided by the assessments of the entity's exposure to climate-related risks and opportunities (see paragraphs AG26–AG27) and its available skills, capabilities and resources (see paragraphs AG28–AG31). Making such a determination involves:

- (a) Selecting inputs to the climate-related scenario analysis (see paragraphs AG35–AG39); and
- (b) Making analytical choices about how to carry out the climate-related scenario analysis (see paragraphs AG40–AG41).

AG31-AG33. 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.

AG32-AG34. An entity will need to use judgment 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 judgment 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 judgment required increases.

Selecting inputs

AG33-AG35. 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.

[AG34-AG36.](#) 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 could draw upon the applicability of climate-related scenarios performed by other public sector entities to the entity's own circumstances.

[AG35-AG37.](#) In considering whether the selected inputs are reasonable and supportable, an entity shall consider the objective of paragraph 21, 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.

[AG36-AG38.](#) 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, which may include policy assumptions.

[AG37-AG39.](#) An entity should base projections on current policy assumptions. However, there may be instances where a departure from current policy may be appropriate, for example:

- (a) There is a conflict between current policy and legal obligations; or
- (b) Where current legislation or regulation has a termination date, such as "sunset provisions".

Making analytical choices

[AG38-AG40.](#) An entity's resilience assessment will be guided 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.

[AG39-AG41.](#) 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 assessment.

Additional considerations

[AG40-AG42.](#) 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 AG24–AG30, 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 AG44).

[AG41-AG43.](#) 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.

[AG42-AG44.](#) Although paragraph 21 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 21(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 21(a)—that is, the results of the entity's resilience assessment—shall be updated at each reporting period.

Risk management (see paragraph 23–24)

[AG43-AG45.](#) To identify, assess, prioritize, and monitor climate-related risks and opportunities, an entity may use its risk management processes and also 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. Such entities would also consider additional factors that reflect their own circumstances.

Metrics and targets (see paragraphs 25–34)

Greenhouse gas emissions

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

[AG44-AG46.](#) 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 26(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

[AG45-AG47.](#) Paragraph 26 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.

[AG46-AG48.](#) If an entity uses direct measurement to measure its greenhouse gas emissions, the entity may 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.

[AG47-AG49.](#) 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 AG56). 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.

Methodology, measurement approach, inputs and assumptions

[AG48-AG50.](#) Paragraph 26(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) The applicable method if the entity is not using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (see paragraphs AG51–AG54);
- (b) The measurement approach the entity uses (see paragraph AG55); and
- (c) The emission factors the entity uses (see paragraph AG56).

Greenhouse gas accounting methodologies

[AG49-AG51.](#) There is a rebuttable presumption that entities 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.

[AG50-AG52.](#) In such cases, an entity shall disclose:

- (a) The applicable methodology used;
- (b) The reason, or reasons, for the entity's choice of methodology; and
- (c) How that approach relates to the disclosure objective in paragraph 25.

AG51-AG53. For the avoidance of doubt, an entity shall apply the requirements in 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 26(a)(i)c.

AG52-AG54. Where an entity uses a methodology other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), an entity shall disclose its Scope 1, 2 and 3 aligned with the definitions in paragraph 6, which are based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). To the extent these definitions differ from the applicable methodology, the entity shall provide a reconciliation.

Measurement approach

AG53-AG55. An entity may use different measurement approaches when measuring its greenhouse gas emissions. In disclosing information in accordance with paragraph 26(a)(iii), the entity is required to disclose information about the measurement approach it uses. Specifically, the entity shall disclose the approach it uses to determine its greenhouse gas emissions, including:

- (a) 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 25.

Emission factors

AG54-AG56. As part of an entity's disclosure of the measurement approach, inputs and assumptions, the entity shall disclose information to enable the primary users of its 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

AG55-AG57. Paragraph 26(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 primary users' understanding of the entity's Scope 2 greenhouse gas emissions. A location-based approach 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 primary users' understanding of an entity's Scope 2 greenhouse gas emissions.

~~AG56-AG58.~~ 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

~~AG57-AG59.~~ In accordance with paragraph 26(a)(vi), an entity shall disclose information about its Scope 3 greenhouse gas emissions to enable primary 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 26(a)(vi), the entity shall disclose which of these categories are included in its Scope 3 greenhouse gas emissions disclosures.

~~AG58-AG60.~~ 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 26(a)(vi)a.

~~AG59-AG61.~~ An entity's determination of which Scope 3 categories to measure and disclose will require management's judgment and may consider trade-offs such as the cost of collecting data, skills and capabilities needed compared against the benefit the information provides for decision-making. This determination shall be ~~driven by~~based on an entity's mandate and the materiality assessment for information needs of primary users for decision-making and accountability purposes.

~~AG60-AG62.~~ In accordance with paragraph B.AG23, 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 primary users of general purpose financial reports.

~~AG61-AG63.~~ 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.AG23.

~~AG62-AG64.~~ 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

[AG63-AG65.](#) 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 AG67–AG79 provides guidance for an entity to use in preparing its Scope 3 greenhouse gas emissions disclosures.

[AG64-AG66.](#) 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.

[AG65-AG67.](#) 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 AG69–AG71);
- (b) Data from specific activities within the entity's value chain (paragraphs AG72–AG75);
- (c) Timely data that faithfully represents the jurisdiction of, and the technology used for, the value chain activity and its greenhouse gas emissions (paragraphs AG76–AG77); and
- (d) Data that has been verified (paragraphs AG78–AG79).

[AG66-AG68.](#) 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 AG67—requires management to apply judgment. 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

[AG67-AG69.](#) 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.

[AG68-AG70.](#) “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.

[AG69-AG71.](#) 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; and
- (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

AG70-AG72. 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.

AG71-AG73. 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.

AG72-AG74. 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.

AG73-AG75. 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

AG74-AG76. 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 traveled, and travel-class used by employees when traveling) 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.

AG75-AG77. 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

~~AG76-AG78.~~ An entity shall prioritize Scope 3 greenhouse gas emissions data that is verified. Verification can provide primary users of general purpose financial reports with confidence that the information is complete, neutral and accurate.

~~AG77-AG79.~~ 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

~~AG78-AG80.~~ 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 26(a)(iii). This disclosure shall include information about the characteristics of the data inputs as described in paragraph AG65. The purpose of this disclosure is to provide primary 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 primary 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.

~~AG79-AG81.~~ As part of the requirement in paragraph 26(a)(iii), and to reflect how an entity prioritizes Scope 3 data in accordance with the measurement framework set out in paragraphs AG67–AG79, the entity shall disclose information that enables primary 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.

~~AG80-AG82.~~ 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

~~AG81-AG83.~~ 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 financing 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 financing carbon-intensive projects. Entities participating in financial activities, such as central banks, public investment corporations, housing finance agencies and public pension funds, 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.

~~AG82-AG84.~~ An entity shall apply the requirements for disclosing greenhouse gas emissions in accordance with paragraph 26 when disclosing information about its financed emissions.

~~Other-Metric categories~~

~~AG83-AG85.~~ In addition to information about an entity's greenhouse gas emissions, the entity is required to disclose information relevant to ~~other-the~~ metric categories set out in paragraphs 26(b)–26(g).

~~AG84-AG86.~~ In preparing disclosures to fulfill the requirements in paragraphs 26(b)–26(g), 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 11;
- (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 12);
- (c) Consider the information disclosed in accordance with paragraphs 15(a)–15(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 29 could be used to satisfy the requirements in whole or in part; and
- (e) Consider the connections between the information disclosed to fulfil the requirements in paragraphs 26(b)–26(g) 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 paragraphs 26(b)–26(g) 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.

~~AG85-AG87.~~ Paragraph 26(f) requires an entity to disclose whether it applies internal carbon prices in decision-making. The internal carbon price may be applicable for public sector entities in various ways, including but not limited to:

- (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 intra-entity transfer pricing.

~~AG86-AG88.~~ 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 (see paragraphs 30–34)

Characteristics of a climate-related target

~~AG87-AG89.~~ Paragraph 30 requires an entity to disclose the quantitative or qualitative climate-related targets it has set, and any targets 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 paragraphs 30(a)–30(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 an operating metric.

~~AG90.~~ In identifying and disclosing the metric used to set a climate-related target and measure progress, an entity shall consider the metric categories in paragraphs 26(a)–26(g) and 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 34 about:

- (a) How the metric is defined, including whether it is derived by adjusting a metric taken from a source other than this [draft] Standard 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

~~AG88.~~ (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.

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

[AG89-AG91.](#) 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).

[AG90-AG92.](#) Paragraph 33(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

[AG91-AG93.](#) Paragraph 33(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 targets 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.

[AG92-AG94.](#) In accordance with paragraph 33(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 primary users of general purpose financial reports to understand the entity's greenhouse gas emissions target.

Appendix B: General Requirements for Climate-related Disclosures

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

Definitions

B1. The following terms are used in this [draft] Standard with the meanings specified:

General purpose financial reports 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 general purpose financial reports (primary users) are existing and potential service recipients and their representatives and resource providers and their representatives.

~~Terms used in this [draft] Standard with the meanings specified in International Public Sector Accounting Standards (IPSAS) are set out in Appendix D. Terms defined in IPSAS Standards are used in Appendix B with the same meaning as in those Standards and are reproduced in the Glossary of Defined Terms published separately.~~

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 general purpose financial reports.

Fair presentation

B3. A reporting entity shall present fairly its climate-related risks and opportunities that could reasonably be expected to affect the long-term fiscal sustainability of the entity.

B4. To identify an entity's climate-related risks and opportunities that could reasonably be expected to affect an entity's long-term fiscal sustainability, an entity shall apply paragraphs B.AG1–B.AG23.

B5. Fair presentation requires disclosure of relevant information about climate-related risks and opportunities 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 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: Qualitative Characteristics); 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 on the entity's long-term fiscal sustainability.

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 that could reasonably be expected to affect the entity's long-term fiscal sustainability.

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 determine and disclose material information, an entity shall apply paragraphs B.AG24–B.AG48.

Reporting entity

B11. An entity's climate-related disclosures shall be for the same reporting entity as the related financial statements (see paragraph B.AG49).

Connected information

B12. An entity shall provide information in a manner that enables primary users of general purpose financial 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 that could reasonably be expected to affect the entity's long-term fiscal sustainability; and
- (b) The connections between disclosures provided by the entity:
 - i. Within its climate-related disclosures—such as connections between disclosures on governance, strategy, risk 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.AG50–~~B.AG55~~).

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 IPSAS ~~Standards~~ or other applicable GAAP—with the corresponding data and assumptions used in preparing the related financial statements (see paragraph ~~B.AG53~~).

B15. When currency is specified as the unit of measure in the climate-related 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. An entity shall apply this [draft] Standard in identifying climate-related risks and opportunities that could reasonably be expected to affect an entity's long-term fiscal sustainability.
- B17. In addition to this [draft] Standard, an entity may refer to and consider the applicability of:
- (a) 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
 - (b) The climate-related risks and opportunities identified by peer entities or entities that operate in the same function of government or geographical region(s). An entity may refer to and consider sector standards such as the Sustainability Accounting Standards Board (SASB) Standards and GRI Sector Standards to consider applicability to the entity's circumstances.

Identifying applicable disclosure requirements

- B18. An entity shall apply this [draft] Standard in identifying applicable disclosure requirements about climate-related risks and opportunities that could reasonably be expected to affect the entity's long-term fiscal sustainability.
- B19. In the absence of guidance or metrics in this [draft] Standard that specifically apply to an entity's specific circumstances and climate-related risks and opportunities, an entity shall apply judgment 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 or opportunity.
- B20. In making the judgment 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 this [draft] Standard—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 information, including metrics, disclosed by peer entities or entities that operate in the same function of government or geographical region(s).

Disclosure of information about sources of guidance

- B21. An entity shall identify and disclose:

- (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 function(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 this [draft] Standard 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 this [draft] Standard 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.AG45B.AG45](#)).
- B25. Information required by this [draft] Standard 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.AG58B.AG58–B.AG60B.AG60](#).

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 disclosures for a 12-month period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This [draft] 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 disclosures in accordance with this [draft] Standard, the entity shall apply paragraph B.AG61.

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.AG62~~~~B.AG62~~ ~~B.AG72~~~~B.AG72~~).
- 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 risks and opportunities.

Statement of compliance

- B34. An entity whose climate-related disclosures comply with all the requirements of this [draft] Standard shall make an explicit and unreserved statement of compliance. An entity shall not describe climate-related disclosures as complying with this [draft] Standard unless they comply with all the requirements of this [draft] Standard.
- B35. This [draft] Standard relieves an entity from disclosing information otherwise required if law or regulation prohibits the entity from disclosing that information (see paragraph B.AG43). An entity using this exemption is not prevented from asserting compliance with this [draft] Standard.

Judgments, uncertainties and errors

Judgments

- B36. An entity shall disclose information to enable primary users of general purpose financial reports to understand the judgments, apart from those involving estimations of amounts (see paragraph B38), 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.
- B37. In the process of preparing climate-related information, an entity makes various judgments, apart from those involving estimations, that can significantly affect the information reported in the entity's climate-related disclosures. For example, an entity makes judgments in:
- (a) Identifying climate-related risks and opportunities;
 - (b) Determining which sources of guidance to apply in accordance with paragraphs B16–B20;
 - (c) Determining 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 risks and opportunities throughout the entity's value chain (see paragraph B.AG23).

Measurement uncertainty

- B38. An entity shall disclose information to enable primary users of general purpose financial reports to understand the most significant uncertainties affecting the amounts reported in its climate-related disclosures.
- B39. 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 B39(a), 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 judgments the entity has made in measuring the amount.
- 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 B38 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 judgments. As the number of variables and assumptions increases, those judgments 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; and

- (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.AG68–B.AG72.

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

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

Climate-related risks and opportunities

- B.AG1. This [draft] Standard provides principles for an entity to disclose information about its climate-related risks and opportunities that could reasonably be expected to affect the entity's long-term fiscal sustainability (see paragraph 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.AG16–B.AG21):
- (a) To identify the climate-related risks and opportunities; 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.
- B.AG3. In determining material information for disclosure, an entity shall:
- (a) Understand its context (paragraphs B.AG4–B.AG14);
 - (b) Identify climate-related risks and opportunities (paragraphs B.AG15–B.AG23); and
 - (c) Determine material information for disclosure (paragraphs B.AG24–B.AG48).

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. To understand from an entity's own context, the entity should understand its activities, relationships, stakeholders, and the 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 non-employees (e.g., contractors or volunteers) and the work they perform for the entity.
- B.AG6. An entity's relationships include upstream suppliers and service providers, and downstream delivery of services or goods to beneficiaries. For example:
- (a) A public hospital's relationships may include upstream suppliers of medical equipment and emergency vehicles as well as downstream patients receiving services; and
 - (b) A taxation authority's relationships may include legislative bodies and private corporations and individuals that are required to pay taxes.
- B.AG7. 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. Public sector entities serve the public interest and have a wide-ranging set of stakeholders, including primary users. Value chains for an entity are often complex, involving relationships and interactions with multiple stakeholders, including citizens, other public sector agencies, private corporations and nonprofit institutions.

- B.AG8. 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 the entity's operations) or those who do not or are unable to articulate views (e.g., future generations).
- B.AG9. An understanding of these stakeholders supports identification of climate-related risks and opportunities. This may result in a broad set of climate-related risks and opportunities, 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.AG10. This is consistent with the guidance in the IPSASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the "Conceptual Framework") that acknowledges that, while those other than the primary users may find the information provided by general purpose financial reports useful, general purpose financial reports are not developed to specifically respond to their information needs.
- B.AG11. 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; and
 - (c) Expectations of responsible conduct set out in authoritative intergovernmental instruments e.g., United Nations (UN) Sustainable Development Goals from the 2030 Agenda for Sustainable Development, UN Framework Convention on Climate Change, Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, UN Declaration on the Rights of Indigenous Peoples and in other recognized sector-specific, local, regional or global instruments.
- B.AG12. An entity shall understand its role and objectives and how it contributes to delivering 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 climate-related physical risks to facilities located near areas with increasing frequency of severe wildfires.
- B.AG13. 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.AG14. 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

Peer disclosures

B.AG15. Entities are encouraged to consider the applicability of climate-related risks and opportunities that are common to other entities with similar operations, function of government, and/or geographic location because such disclosures may be expected by primary users of general purpose financial reports and may inform an entity's materiality judgments.

Reasonable and supportable information

B.AG16. To identify climate-related risks and opportunities, including the processes to engage relevant stakeholders (see paragraphs B.AG4–B.AG14), the entity shall use all reasonable and supportable information available to the entity without undue cost or effort.

B.AG17. 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.AG18. 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.AG19. 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.AG20. An entity need not undertake an exhaustive search for information to identify climate-related risks and opportunities. 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.AG21. 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 may 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 primary users' decision-making and accountability needs ([see paragraphs B.AG58–B.AG60](#)).

Reassessment of the scope of climate-related risks and opportunities

B.AG22. Climate-related risks and opportunities 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. For this reason, the entity may, but is not required to, reassess its context and identify climate-related risks and opportunities on an ongoing basis.

- B.AG23. At a minimum, an entity shall reassess the scope of all affected climate-related risks and opportunities throughout its value chain on the occurrence of a significant event or significant change in circumstances. A significant event or significant change in circumstances can occur without the entity being involved in that event or change in circumstances, or as a result of a change in what the entity assesses to be important to 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 value chain (for example, a supplier in the entity's value chain makes a change that significantly alters the supplier's greenhouse gas emissions);
 - (b) A significant change in the entity's operational model, activities or structure (for example, changes in structure following a change in political leadership); and
 - (c) A significant change in an entity's 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).

Materiality (see paragraphs B8–B10)

- B.AG24. 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.AG25. 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.
- B.AG26. Assessing whether information could reasonably be expected to influence decisions made by primary users requires an entity to consider the characteristics of primary users while also considering the entity's own circumstances.
- B.AG27. 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 considering 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 contribution to national transition and adaptation plans to inform its policy setting strategies and/or allocation of resources.
- B.AG28. Climate-related disclosures are prepared for primary users who have a reasonable knowledge of public sector programs and operations and who review and analyze the information diligently. At times, even well-informed and diligent primary users may need the aid of an adviser to understand climate-related information.

- B.AG29. Individual primary users may have different, and sometimes even conflicting, information needs and desires. Information needs of primary users may also evolve over time. Climate-related disclosures are intended to meet common information needs of primary users.

Determining material information

- B.AG30. Materiality depends on both qualitative and quantitative information judged in the 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.AG31. To determine material information about a climate-related risk or opportunity, an entity shall apply, as the starting point, the requirements of this [draft] Standard.
- B.AG32. 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.
- B.AG33. An entity need not disclose information otherwise required by this [draft] Standard if the information is not material. This is the case even if this [draft] Standard contains a list of specific requirements.
- B.AG34. Though materiality judgments 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 judgments in materiality

- B.AG35. 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.AG36. 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 difficult it is to remediate greenhouse gas 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; and
 - (c) 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.AG37. Information about a single climate-related risk or opportunity may not be material on an individual basis. However, similar climate-related risks or opportunities 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.AG38. With regard to potential future climate-related risks and opportunities, an entity may assess whether information is qualitatively material by considering the likelihood of the potential climate-related risk or opportunity. 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.AG39. 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.AG40. An entity must consider the context in which it operates when making materiality judgments, 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.AG41. Laws or regulations might specify requirements for an entity to disclose climate-related information in its general purpose financial reports. In such circumstances, the entity is permitted to include in its climate-related disclosures information to meet legal or regulatory requirements, even if that information is not material. However, such information shall not obscure material information.

B.AG42. An entity shall disclose material climate-related information, even if a law or regulation permits the entity not to disclose such information.

B.AG43. 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.AG44. 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.AG45. An entity should not obscure material information. Information is obscured if it is communicated in a way that would have a similar effect for primary users to omitting or misstating that information. Examples of circumstances that might result in material information being obscured include:
- (a) Material information is not clearly distinguished from additional information that is not material;
 - (b) Material information is disclosed in the climate-related disclosures, but the language used is vague or unclear;
 - (c) Material information about a climate-related risk or opportunity is 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.AG46. An entity shall reassess its materiality judgments 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.AG47. 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.AG48. 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. For example, the entity might need to disaggregate information about climate-related risks and opportunities by geographical location.

Reporting entity(see paragraph B11)

- B.AG49. 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 on the reporting entity's finances.

Connected information (see paragraphs B12–B15)

- B.AG50. Paragraph B12 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 that could reasonably be expected to affect the entity's long-term fiscal sustainability and between disclosures provided by the entity in its general purpose financial reports.
- B.AG51. 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 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 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, financial performance, and cash flows because the applicable recognition criteria have not been met, connected information will depict that relationship.
- B.AG52. Connected information includes:
- (a) Connections between various types of information about a particular climate-related risk or opportunity, such as:
 - i. Between disclosures on governance, strategy ~~and impact~~ and risk management; and
 - ii. Between narrative information and quantitative information (including related metrics and targets and information in the related financial statements); and
 - (b) Connections between disclosures about various climate-related risks and opportunities. For example, if an entity integrates its oversight of climate-related risks and opportunities, the entity shall integrate the disclosures on governance instead of providing separate disclosures on governance for each climate-related risk and opportunity.
- B.AG53. 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.AG54. 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.AG55. 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, affects 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, including a description of the trade-offs between those climate-related risks and opportunities ~~that the entity considered (see paragraph)~~. For example, an entity might need to explain the potential effects of retrofitting public buildings with low-carbon heating systems on operating budgets, comfort, and maintenance requirements.

General requirements

Sources of guidance (see paragraphs B16–B21)

B.AG56. 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 this [draft] Standard—refer to and consider the applicability of sources such as:

- (a) IFRS Sustainability Disclosure Standards;
- (b) The Global Reporting Initiative Standards;
- (c) UN System of Environmental Economic Accounting (UN SEEA); and
- (d) Country or region-specific sources (e.g., European Sustainability Reporting Standards).

B.AG57. In applying the sources of guidance specified in paragraph B.AG56, an entity shall not obscure material information required by this [draft] Standard (see paragraph B.AG45). If an entity applies the sources of guidance specified in paragraph B.AG56 without applying the requirements in this [draft] Standard, the entity shall not make an explicit and unreserved statement of compliance with this [draft] Standard.

Information included by cross-reference (see paragraph B25)

B.AG58. Information required by this [draft] Standard 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.AG59. Information included by cross-reference becomes part of the climate-related disclosures and shall comply with the requirements of this [draft] Standard. 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.AG60. If information required by this [draft] Standard is included by cross-reference:

- (a) The climate-related 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 (see paragraph B31)

B.AG61. 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 (see paragraph B32)

B.AG62. 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.AG63. In some cases, the amount disclosed for a metric is an estimate. Except as specified in paragraph B.AG64, 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.AG64. In applying the requirement in paragraph B.AG63, an entity need not disclose a revised comparative amount:

- (a) If it is impracticable to do so (see paragraph B.AG67); or
- (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.AG65. 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.AG66. If an entity introduces a new metric in the reporting period, it shall disclose a comparative amount for the preceding period for that metric unless it is impracticable to do so.
- B.AG67. 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.AG68. Paragraphs B43–B46 requires an entity to correct material prior period errors.
- B.AG69. 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.AG70. 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.AG71. 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.AG72. 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: Qualitative Characteristics

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

Introduction

- C1. The Conceptual Framework establishes the objective and concepts that underpin general purpose financial reporting by public sector entities.
- C2. Climate-related disclosures are part of general purpose financial reports. The qualitative characteristics in the Conceptual Framework, therefore, apply to climate-related 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 general purpose 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 reporting objectives of accountability and decision-making. Information may be capable of making a difference, and thus be relevant, even if some primary 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 primary 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. Climate-related information with predictive value is employed by primary users in making their own predictions. For example, information about water quality, which can include information about the water being polluted, could inform the expectations of primary 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 primary users can use 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 primary users to correct and improve the processes they 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 in general purpose financial reports 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 primary users of general purpose financial reports. A complete depiction of a climate-related risk or opportunity includes all material information necessary for primary users to understand that risk or opportunity.
- 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 primary 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 general purpose financial reports 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 primary 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 or challenges 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 judgments under conditions of uncertainty. The exercise of prudence means that opportunities are not overstated and risks are not understated. Equally, the exercise of prudence does not allow for the understatement of opportunities or the overstatement of negative 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 general purpose financial reports generally occur under conditions of uncertainty. Information included in general purpose financial reports will therefore often include estimates that incorporate management's judgment. To faithfully represent a 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 included in the general purpose financial reports—for example, the governance 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 information shall be clear and concise. For climate-related 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 primary users. However, information should not be excluded from climate-related disclosures solely because it may be too complex or difficult for some primary 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 information all rely on information being presented as a coherent whole. For climate-related 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 report has implications for information disclosed in other parts, the entity shall include the information necessary for primary users to assess those implications.
- C24. Coherence also requires an entity to provide information in a way that allows primary users to relate information about its climate-related risks and opportunities to information in the entity’s financial statements.

Timeliness

- C25. Timeliness means having information available for primary 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 primary 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 climate-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 primary users confidence that information in the general purpose financial reports 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:
- (a) The information represents the phenomena that it purports to represent without material error or bias; or
 - (b) An appropriate recognition, measurement, or representation method has been applied without material error or bias.
- C30. To be verifiable, information need not be a single point estimate. A range of possible amounts and the related probabilities also can be verified.
- C31. 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 primary users confidence that the information faithfully represents the phenomena that it purports to represent. Climate-related 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.
- C32. Some climate-related information may include financial and other quantitative information and explanations about the anticipated future effects, 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.
- C33. To help give primary users confidence that prospective financial and non-financial information and explanations faithfully represent 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 primary users to form judgments about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.

Constraints on climate-related information included in general purpose financial reports

Materiality

- C34. 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.
- C35. 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.

Cost-benefit

- C36. 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 general purpose financial reports.
- C37. 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. Primary users incur the costs of analysis and interpretation. Omission of useful information also imposes costs, including the costs that primary users incur

to obtain needed information from other sources and the costs that result from making decisions using incomplete data provided by general purpose financial reports.

- C38. 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 general purpose financial reports.
- C39. Primary users reap the majority of benefits from the climate-related information. However, climate-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-related 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-related information provided by general purpose financial reports.
- C40. 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.

Balance between the qualitative characteristics

- C41. 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.
- C42. 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-related reporting.

Appendix D: Terms in this IPSASB SRS Defined in IPSAS Standards

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

<u>Term</u>	<u>Definition</u>
<u>Acquisition</u>	<u>A public sector combination in which one party to the combination gains control of one or more operations, and there is evidence that the combination is not an amalgamation.</u>
<u>Assets</u>	<u>Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.</u>
<u>Carrying amount of a liability</u>	<u>The amount at which a liability is recognized in the statement of financial position.</u>
<u>Carrying amount of an asset</u>	<u>The amount at which an asset is recognized in the statement of financial position, after deducting any accumulated depreciation and accumulated impairment losses thereon.</u>
<u>Cash</u>	<u>Comprises cash on hand and demand deposits.</u>
<u>Cash flows</u>	<u>Inflows and outflows of cash and cash equivalents.</u>
<u>Contract</u>	<u>An agreement between two or more parties that creates enforceable rights and obligations.</u>
<u>Control</u>	<u>An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.</u>
<u>Controlled entity</u>	<u>An entity that is controlled by another entity.</u>
<u>Credit risk</u>	<u>The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.</u>
<u>Decision maker</u>	<u>An entity with decision-making rights that is either a principle or an agent for other parties.</u>
<u>Impairment</u>	<u>A loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.</u>
<u>Impracticable</u>	<u>Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.</u>
<u>Joint arrangement</u>	<u>An arrangement of which two or more parties have joint control.</u>
<u>Joint venture</u>	<u>A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.</u>

<u>Key management personnel</u>	<p><u>(a) All directors or members of the governing body of the entity; and</u></p> <p><u>(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity. Where they meet this requirement, key management personnel include:</u></p> <p><u>(i) Where there is a member of the governing body of a whole-of-government entity who has the authority and responsibility for planning, directing, and controlling the activities of the reporting entity, that member;</u></p> <p><u>(ii) Any key advisors of that member; and</u></p> <p><u>(iii) Unless already included in (a), the senior management group of the reporting entity, including the chief executive or permanent head of the reporting entity.</u></p>
<u>Market risk</u>	<u>The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.</u>
<u>Revenue</u>	<u>The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.</u>
<u>Taxes</u>	<u>Economic benefits or service potential compulsorily paid or payable to the entity, in accordance with laws and/or regulations, established to provide revenue to the government. Taxes do not include fines or other penalties imposed for breaches of laws and/or regulations.</u>
<u>Transfer</u>	<u>A transaction, other than taxes, in which an entity receives a resource from a resource provider (which may be another entity or an individual) without directly providing any good, service, or other asset in return.</u>

Basis for Conclusions

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

Introduction

- BC1. [draft] IPSASB SRS X, *Climate-related Disclosures* ~~was drawn~~is based primarily ~~from~~on IFRS S2 *Climate-related Disclosures*. Appendix B: General Requirements and Appendix C: Qualitative Characteristics ~~were drawn~~is based primarily ~~from~~on IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and the IPSASB Conceptual Framework, respectively.
- BC2. After considering responses to the Consultation Paper (CP), *Advancing Public Sector Sustainability Reporting*, which was published in May 2021, the IPSASB concluded that there was strong support for the proposals in the CP, including:
- (a) The need for public sector specific sustainability reporting standards;
 - (b) That climate-related disclosures should be prioritized as the most urgent topic; and
 - (c) That it was appropriate to leverage private sector guidance ~~to the extent appropriate,~~ where relevant, starting with the IFRS Sustainability Disclosure Standards, while also considering the multistakeholder approach from the GRI Standards.
- BC3. These conclusions resulted in the development of IPSASB SRS ED 1, *Climate-related Disclosures*.
- BC4. Consistent with IPSAS, this [draft] Standard is designed to apply to public sector entities that meet all the following three criteria:
- (a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;
 - (i) Services encompasses goods, services and policy advice, including to other public sector entities;
 - (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.
- BC5. Adoption of this [draft] Standard does not require adoption of IPSAS Standards; entities may choose to adopt either set of standards without the requirement to adopt the other.
- BC6. Consistent with the Conceptual Framework, this [draft] Standard applies to a wide range of public sector entities, including:
- (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.
- BC7. Consistent with IFRS S1 and IFRS S2, this [draft] Standard provides proportionality mechanisms for entities, which include:

- (a) Using reasonable and supportable information that is available at the reporting date without undue cost or effort, which is applied to:
 - (i) Identifying the climate-related risks and opportunities that could reasonably be expected to affect an entity's long-term fiscal sustainability (see paragraphs 12, B.AG2(a) and B.AG16–B.AG21)
 - (ii) Determining the scope of its value chain (see paragraph B.AG2(b));
 - (iii) Disclosures about the anticipated financial effects of a climate-related risk or opportunity (see paragraph 17(a));
 - (iv) The entity's approach to climate-related scenario analysis (see paragraphs AG22–AG44);
 - (v) Providing Scope 3 greenhouse gas emissions data that is verified (see paragraph AG79);
 - (vi) Disclosures on climate-related metrics (see paragraph 27); and
- (b) Considering an entity's skills, capabilities and resources, which is applied to:
 - (i) Disclosures about the anticipated financial effects of a climate-related risk or opportunity (see paragraphs 17(b) and 19); and
 - (ii) The entity's approach to climate-related scenario analysis (see paragraphs AG22–AG44).

BC8. In aligning with the proportionality mechanisms provided in IFRS S1 and IFRS S2, the IPSASB acknowledged that, although such mechanisms could be perceived as creating opportunities for inconsistent application, they are essential to ensure that the requirements can be applied effectively across public sector entities. The IPSASB noted that these proportionality mechanisms support a capacity-building approach to achieving the objective of the [draft] Standard, encouraging entities to strengthen their skills, capabilities, systems, and resources progressively over time.

(ii)

IPSAS Standards or other GAAP

BC8-BC9. The IPSASB considered whether this [draft] Standard should refer to IPSAS Standards and other GAAP (see paragraph 5), acknowledging that not all public sector entities apply accrual basis accounting.

BC9-BC10. The IPSASB decided that, though this [draft] Standard is agnostic on the entity's financial reporting methodology and can be applied by all public sector entities including those on a cash basis of accounting, the use of accrual accounting, together with climate-related reporting, supports better public financial management and sustainable development.

Background

Phased Approach of the IPSASB's Climate-related Disclosures Project

BC11. As a result of the feedback received from constituents on the IPSASB SRS ED 1, the climate-related disclosures project is developed across two phases. Phase 1 aligns with IFRS S2 and

corresponds to the “Own Operations” perspective described in IPSASB SRS ED 1, while Phase 2 will reflect the unique policy and regulatory role of public sector entities, referred to as “Public Policy Programs” in IPSASB SRS ED 1. The IPSASB’s discussions and deliberations in developing these two phases include:

- (a) Drawing on IFRS S1 and IFRS S2, together with public sector-specific adaptations (see paragraphs BC12–BC21);
- (b) Recognizing that the policy and regulatory role of public sector entities as a distinguishing characteristic that requires public sector-specific disclosures (see paragraphs BC22–BC25); and
- (c) Deciding to use two separate standards to address these distinct reporting perspectives, rather than an integrated single standard (see paragraphs BC26–BC28).

Development of IPSASB SRS ED 1, Climate-related Disclosures

BC10-BC12. 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.

BC11-BC13. When developing IPSASB SRS ED 1, the IPSASB drew on the Conceptual Framework and agreed that service recipients and resource providers are the primary users of climate-related disclosures. These include citizens, taxpayers, multilateral or bilateral donor agencies, and lenders that provide resources, such as investors. In addition, representatives of these groups such as the legislature (or a similar body), and members of parliament (or a similar representative body) are also the primary users of climate-related disclosures.

BC12-BC14. When developing IPSASB SRS ED 1, the IPSASB decided that the primary users for public sector reports are broader than for private sector reports, where the primary users are existing and potential investors. Based on experience in setting IPSAS, while the information needs of non-investor public sector primary users may align with those of investors in many cases, information needs generally differ where there are transactions unique to the public sector. In the case of sustainability reports, primary user needs will extend beyond the financial effects of climate-related risks and opportunities.

BC13-BC15. Therefore, the IPSASB developed the IPSASB SRS ED 1 reflecting the following primary sources:

- (a) The CP and feedback from constituents that drive the principles and needs for public sector sustainability reporting;
- (b) IPSASB literature, including the Conceptual Framework which addresses general purpose financial reports and non-financial information, provides key public sector concepts (e.g., defines primary users, clarifies the objective of reporting (which is to facilitate accountability and decision-making), defines the reporting entity and the qualitative characteristics of reporting) and IPSASB’s non-mandatory Recommended Practice Guidelines (RPG); and
- (c) International standards, primarily building on the IFRS Sustainability Disclosure Standards drawing from IPSASB’s existing Process for Reviewing and Adapting IASB Documents.

BC14-BC16. During the development of the IPSASB SRS ED 1, 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 interconnectivity of value chains across public sector and private sector reporting;
 - (ii) The significance of sovereign bonds in the global bond market, where investors—one of the primary users of public sector sustainability reporting—provide resources for public sector entities; and
 - (iii) The growing use of blended finance in addressing climate challenges; and
- (c) The need for a climate-related disclosure standard, given the urgency of addressing long-term shifts in temperature and weather patterns, and the importance of the public sector in driving widespread action.

BC15-BC17. Given the urgent need for a climate-related reporting standard, the IPSASB considered the extent to which it could leverage private sector guidance, recognizing the potential similarities between the public and private sectors.

BC16-BC18. The IPSASB decided that developing guidance aligned with IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2) would 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 would enable better decision-making and accountability.

BC17-BC19. Therefore, the IPSASB prioritized aligning with the IFRS S1 and IFRS S2 private sector guidance to ensure consistency and interoperability between public sector and private sector reporting, while considering the additional information needs of primary users of public sector climate-related disclosures. This alignment is reflected both in the core text and application guidance – where private sector guidance and definitions have been drawn on as directly as possible to meet the objectives of public sector reporting, applying the process from IPSASB's Process for Reviewing and Adapting IASB Documents.

BC20. This alignment with IFRS S1 and IFRS S2 private sector guidance was generally supported by respondents to the IPSASB SRS ED 1, which cited benefits such as increasing interoperability with private sector guidance, promoting consistency and comparability between entities and across public and private sectors, enhancing the credibility of public sector climate-related disclosures by drawing on an internationally recognized global baseline, and improving the quality and completeness of climate-related information across the value chain. Respondents also noted that this alignment enables the IPSASB to build on established private sector guidance, facilitating knowledge transfer, capacity building, and supports the timely development of a public sector-specific climate-related disclosures standard.

BC18-BC21. In addition to the IPSASB's decision to align with private sector guidance, some respondents noted space for further alignment between IPSASB SRS ED 1 and IFRS S2. They

suggested that the IPSASB should prioritize closer alignment with private sector standards and depart only when there is a clear public sector rationale. As a result, in developing the [draft] Standard, the IPSASB prioritized alignment with IFRS S2 while maintaining necessary public sector-specific adaptations, which included structural changes proposed in the IPSASB SRS ED 1.

Addressing the public sector policy and regulatory role

BC19-BC22. As a result of their sovereign powers, governments and other public sector entities have the ability to regulate the activities of other entities, including other public sector entities, private sector entities and/or individuals, either directly or through specifically created agencies. The underlying rationale for such regulation is to safeguard the public interest in accordance with specified public policy objectives, such as combating climate change. Therefore, the IPSASB decided that in addition to aligning with the IFRS S1 and IFRS S2 private sector guidance, the policy and regulatory role of public sector entities is a key characteristic that requires public sector-specific disclosures. This public policy role differentiates public sector entities from the private sector.

BC20-BC23. As part of the IPSASB SRS ED 1, the IPSASB proposed that in addition to disclosures on an entity's climate-related risks and opportunities in its day-to-day operations (referred to as "Own Operations" in the IPSASB SRS ED 1), entities should also provide disclosures on the outcomes that could reasonably be expected as a result of its climate-related public policy programs. The IPSASB proposed addressing these dual reporting perspectives through a single standard with further clarification in two sections of Application Guidance.

BC21-BC24. Responses received to the Exposure Draft raised concerns on the two reporting perspectives of the IPSASB SRS ED 1 being combined into one sStandard, with some noting that separate standards would enhance clarity and the distinct nature of each reporting perspective. The IPSASB noted that a substantial number of comments were received on the proposed disclosure requirements on an entity's climate-related public policy programs, and identified a number of key issues raised by respondents that require further deliberation.

BC22-BC25. In response to consultation feedback, the IPSASB decided that it was appropriate to address the two reporting perspectives in two phases, and therefore developed ed two separate standards as part of its climate-related disclosures project: Phase 1, Own Operations which refers to the "Own Operations" reporting perspective described in IPSASB SRS ED 1, and Phase 2, which refers to the "Public Policy Programs" reporting perspective described in IPSASB SRS ED 1. The IPSASB decided that this was a pragmatic approach considering the clearer focus in guidance, ease of navigating the [draft] Standard, timeliness of issuing guidance, and to better support preparers and ease reporting burden on with adoption and implementation of the [draft] Standard.

[draft] IPSASB SRS X, Climate-related Disclosures

BC23-BC26. As a result of the IPSASB's decision to develop two separate standards, the Board concluded that Phase 1 of its climate-related disclosures project will provide guidance that is aligned with IFRS S2, incorporating the public sector context proposed in the IPSASB SRS ED 1. Therefore, in alignment with private sector guidance, Phase 1 of the project will be named "IPSASB SRS X, *Climate-related Disclosures*".

BC24-BC27. The IPSASB also decided that it was appropriate to maintain the overall structure of the IPSASB SRS ED 1 in developing this [draft] Standard, while removing the relevant Public Policy Program guidance. As a result, this [draft] Standard is aligned with the structure of the IPSASB SRS ED 1, with the exception of the removal of Appendix A2: Public Policy Programs.

BC25-BC28. Further, a respondent to the IPSASB SRS ED 1 observed that the term “Own Operations” which is —used in the IPSASB SRS ED 1— is informally associated with Scopes 1 and 2 emissions in the GHG Protocol. In developing the [draft] Standard, the IPSASB decided to remove references to the term “Own Operations”. This was to avoid the unintended association with terminology used outside of IPSASB literature and to increase alignment with private sector guidance. As such, the [draft] Standard no longer uses the term “Own Operations”.

Objective and scope

BC26-BC29. At the time of developing this [draft] Standard, the latest international agreements on climate change were the Paris Agreement and the United Nations Sustainable Development Goals (SDGs).

BC27-BC30. Many countries have signed or ratified the latest international agreements on climate change, made national commitments enforceable through legislation, and/or developed national transition and adaptation plans. Consistent with these requirements and the Conceptual Framework, the objective of this [draft] 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~~themselves, but ~~it~~ should help encourage changes in individual and organizational behaviors and global actions more broadly that are needed to combat climate change.

BC28-BC31. 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 [draft] Standard to be capable of being used to support accountability for the delivery of climate change programs in accordance with the latest international agreements.

Long-term fiscal sustainability~~Climate-related risks and opportunities~~

BC29-BC32. In developing the IPSASB SRS ED 1 and aligning the core guidance with IFRS S2, the IPSASB decided that the focus on “the entity’s cash flows, its access to finance or cost of capital over the short-, medium- or long-term” or “the entity’s prospects” needed to be augmented for the public sector. The IPSASB decided that the information needs of primary users of public sector climate-related disclosures should also include the effects on an entity’s services and resources.

BC30-BC33. The IPSASB decided that for public sector entities this broader concept of “an entity’s prospects” was already captured by the concept of “long-term fiscal sustainability” as defined in RPG 1, *Reporting on the Long-term Sustainability of an Entity’s Finances*, that is “the ability of an entity to meet service delivery and financial commitments, both now and in the future”.

BC34-BC34. RPG 1 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, and was amended in May 2023 to provide implementation guidance to explain its applicability to reporting information on the impact of sustainability programs.

~~BC32.~~

Definitions

~~BC35.~~ In developing IPSASB SRS ED 1 and adapting IFRS S2 for the public sector context, the IPSASB determined that the term “business model” should be adapted for the public sector. Accordingly, the IPSASB introduced the term “operational model”, which draws on the concepts in RPG 3, *Reporting Service Performance Information*, including the relationships among “inputs”, “outputs”, and “outcomes”.

~~BC36.~~ The IPSASB acknowledged that there are evolving terminologies and methodologies for valuing greenhouse gas externalities, such as “internal carbon pricing”. The IPSASB explored the applicability of the terminology internationally, its applicability to public sector entities, and the importance of distinguishing internal carbon prices from the market price of carbon. In reviewing this analysis, the IPSASB decided that the terminology is applicable for the public sector and agreed to align the terminology for this topic with ~~and definition of “internal carbon pricing” with IFRS S2, along with additional application guidance to provide public sector context.~~

~~BC33-BC37.~~ Some respondents to the IPSASB SRS ED 1 noted that certain terms were not defined. ~~As The IPSASB noted that~~ these terms are already defined in ~~existing IPSASB literature, including the IPSASB Standards, Recommended Practice Guidelines (RPGs), and the IPSASB Conceptual Framework. However, as the IPSASB SRS is designed to be applied irrespective of whether the entity’s financial statements are prepared in accordance with IPSAS Standards, the IPSASB decided that it was appropriate to set out terms defined in IPSAS Standards to include a statement in the definitions of the core text (see paragraph 6) and Appendix B (see paragraph B1) to clarify that such terms are used in this [draft] Standard with the same meaning as in the IPSAS Standards in a separate Appendix (Appendix D), in line with the approach in RPG 1. Examples include cash flows, controlled entity, impracticable, joint arrangement, and key management personnel.~~

~~BC34-BC38.~~ Responses to the IPSASB SRS ED 1 also included some suggested modifications to the proposed definitions, ~~including definitions that are based off that are aligned with IFRS S2, such as including~~ “climate resilience”, “global warming potential”, “greenhouse gases”, and “value chain”. The IPSASB decided that the proposed definitions provide appropriate guidance for public sector entities, and did not identify any public sector-specific justification ~~from to departing~~ from the definitions used in private sector guidance.

Governance

~~BC35-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.

~~BC36-BC40.~~ Despite the variation in governance structures, public sector entities share the same public interest objective of enhancing or maintaining the well-being of citizens. Public sector governance can be described as the arrangements put in place to ensure the intended outcomes for stakeholders are defined and achieved, which include political, economic, social, environmental, legal and administrative structures and processes, and other arrangements.

Therefore, the IPSASB decided that the primary user information needs relating to governance processes, controls and procedures are similar to those for primary users of private sector entity reporting, and that private sector guidance should be leveraged, with additional application guidance addressing public sector differences.

Strategy

[BC37-BC41.](#) The IPSASB decided that the primary user information needs relating to an organization's strategy for managing climate-related risks and opportunities in the public sector are in many cases the same or very similar to those for primary users of private sector entity reporting. However, application guidance would be needed to clarify how the principles and disclosure requirements apply in the public sector context.

Strategy and decision-making

[BC38-BC42.](#) The IPSASB acknowledged that the 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.

[BC39-BC43.](#) On the other hand, some entities may have limited operational freedom, regulated by the mandates and responsibilities determined by a higher level of government.

[BC40-BC44.](#) 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 that reporting at the entity level enables 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 the primary users of their general purpose financial reports.

[BC41-BC45.](#) A few respondents to the IPSASB SRS ED 1 expressed concern that the proposed disclosure requirements were overly focused on mitigation efforts, such as greenhouse gas reduction, while giving insufficient emphasis to adaptation and climate resilience. The IPSASB acknowledge the importance of both mitigation and adaptation in climate action, however, decided that the [draft] Standard provides adequate disclosure requirements on both aspects. For example, an entity is required to disclose information about its current and anticipated direct and indirect mitigation and adaptation efforts in its strategy and decision-making.

Climate resilience

[BC42-BC46.](#) One respondent to the IPSASB SRS ED 1 posed that, in addition to scenario analysis, the [draft] Standard should require climate stress testing to ensure the long-term fiscal sustainability of the public sector entity. The IPSASB considered that the terms “stress testing” and “scenario analysis” are, in many cases, used interchangeably in practice, and did not identify a public sector-specific reason to depart from the proposed guidance.

Risk management

[BC43-BC47.](#) The IPSASB decided that the primary user information needs relating to risk management for a public sector entity are in many cases the same or very similar to those for primary users of private sector entity reporting. However, application guidance would be needed to clarify how the principles and disclosure requirements apply in the public sector context.

[BC44-BC48.](#) The IPSASB discussed the differences between public sector and private sector risk management practices and noted that although the practices are similar, it is the nature and type of risks faced that are significantly different.

[BC45-BC49.](#) The IPSASB acknowledged that many countries have established national transition and adaptation plans which may be based on detailed national risk assessments. 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

[BC46-BC50.](#) When developing IPSASB SRS ED 1, the IPSASB decided that a rebuttable presumption, that entities report greenhouse gas emissions using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) ("the Greenhouse Gas Protocol"), was necessary to steer entities towards the same direction, enhancing consistency and comparability. This approach is intended to promote standardized greenhouse gas methodologies and to facilitate better data interoperability between entities.

[BC47-BC51.](#) As part of this rebuttable presumption, when developing IPSASB SRS ED 1, the IPSASB decided that to encourage adoption of this [draft] Standard, flexibility should be provided for preparers to use methodologies other than the Greenhouse Gas Protocol. This decision acknowledges that jurisdictions may have local approaches for national or subnational reporting and aims to alleviate any additional burden in requiring dual reporting or an immediate move to the Greenhouse Gas Protocol. In determining their approach, the IPSASB encourages entities to consider the primary users of the information and their specific needs. For instance, if primary users are donor agencies, the Greenhouse Gas Protocol might be a more appropriate methodology as donor agencies may need consistent and comparable information about the climate-related risks and opportunities upstream and downstream of entities' value chains.

[BC48-BC52.](#) As value chains may comprise both public and private sector entities, the IPSASB could not identify a public sector specific reason to depart from the Greenhouse Gas Protocol when developing the IPSASB SRS ED 1. Therefore, the IPSASB decided to align the definitions of Scopes 1, 2, and 3 with the Greenhouse Gas Protocol to ensure consistency and clarity in reporting and interpretation. However, the IPSASB acknowledged that the Greenhouse Gas Protocol was designed for the private sector and does not address Scope 3 emissions relating to "public policy programs" as referred to in the IPSASB SRS ED 1.

[BC49-BC53.](#) Respondents to the IPSASB SRS ED 1 generally supported the proposed rebuttable presumption for the reasons of increased consistency and comparability, streamlining reporting processes, reducing transition costs, allowing for national or sector-specific requirements, as well as the principles-based approach provided by the GHG Protocol.

[BC50-BC54.](#) However, there were also other views on the rebuttable presumption proposed in IPSASB SRS ED 1. Some suggested the GHG Protocol should be presented as a recommendation rather than a rebuttable presumption, to allow for greater jurisdictional flexibility. Others raised concerns

that a rebuttable presumption could compromise consistency and comparability, potentially reducing the usefulness of reported information.

BC54-BC55. ~~Overall,~~ on balance, the IPSASB decided that due to the reasons articulated, the existing rebuttable presumption that entities use the GHG Protocol provides a pragmatic balance between global alignment and local adaptability, and should therefore be retained in the [draft] Standard.

BC52-BC56. A few responses to the IPSASB SRS ED 1 suggested that the IPSASB provided more specific guidance on consolidation, including consolidation complications in jurisdictions with heterogeneous sustainability reporting standards. The IPSASB noted that consolidation considerations primarily arise in relation to the Metrics and Targets pillar, particularly in the context of reporting greenhouse gas emissions. The IPSASB considered the widespread use of the GHG Protocol, and decided that there would not be significant divergence from other international sustainability reporting standards. Further, the IPSASB considered that the IPSAS approach to consolidation is fully aligned with private sector guidance. Therefore, the IPSASB decided that the proposed guidance in the IPSASB SRS ED 1 ~~provided was~~ appropriate ~~guidance~~ for public sector entities.

BC53-BC57. One respondent to IPSASB SRS ED 1 suggested that entities be required to disclose a summary statement of greenhouse gas emissions to provide users with a comprehensive view of the entity's overall climate impact. The IPSASB acknowledged that such a summary may be a useful way for some entities to present climate-related information; however, it concluded that the [draft] Standard should remain principles-based, allowing entities flexibility in how disclosures are structured and communicated. Accordingly, while entities may choose to include a summary of greenhouse gas emissions, the IPSASB decided that this should remain at their discretion.

Scope 2 greenhouse gas emissions

BC54-BC58. The IPSASB recognized the two approaches towards calculating Scope 2 greenhouse gas emissions, location-based approach and market-based approach, and decided to require the location-based approach only, along with disclosures on any contractual instruments into which the entity has entered, in alignment with private sector guidance, and to enhance comparability between Scope 2 greenhouse gas emissions disclosures without undue burden on entities.

Scope 3 greenhouse gas emissions

BC55-BC59. When developing the IPSASB SRS ED 1, the IPSASB recognized the complexities and resource requirements surrounding Scope 3 greenhouse gas emissions. However, the disclosure of Scope 3 greenhouse gas emissions and categories is subject to materiality considerations; hence, entities are not required to measure and disclose all Scope 3 greenhouse gas emissions, because value chain emissions and hotspots vary between entities. Therefore, the IPSASB decided that it is important for entities to monitor and manage emissions along their value chains, both in the global public interest and for accountability reasons.

BC56-BC60. When developing the IPSASB SRS ED 1, the IPSASB acknowledged that while Scope 3 Category 15 – Financed ~~E~~missions may be relevant for public sector entities that provide financial services, the IPSASB expected that this category will be applicable to only a subset of entities. For those entities where Category 15 is material, they may consider referring to other sources of guidance such as Greenhouse Gas Protocol or the Partnership for Carbon Accounting Financials (PCAF).

~~BC57-BC61.~~ Responses to the IPSASB SRS ED 1 were mixed, with a group of respondents supporting mandatory disclosures of Scope 3 greenhouse gas emissions. However, some argued that the practical and cost-related challenges justify a voluntary or phased approach. In addition, another group of respondents raised concerns about the cost, complexity, and limited relevance of Scope 3 information, particularly for public sector entities involved in regulatory or service delivery functions.

~~BC58-BC62.~~ Considering the usefulness of ~~Scope 3 emissions~~the disclosures based on responses received from users, including investors, as well as jurisdictional examples demonstrating the feasibility of public sector ~~Scope 3~~reporting on Scope 3 greenhouse gas emissions, the IPSASB decided that ~~Scope 3~~disclosures on Scope 3 greenhouse gas emissions are essential for presenting a comprehensive picture of an entity's climate action, and should be required in the [draft] Standard.

~~BC59-BC63.~~ Entities that are using methodologies in line with the Greenhouse Gas Protocol might find it useful to refer to the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) for additional guidance and examples. In consideration of the practical challenges presented by respondents to the IPSASB SRS ED 1, the IPSASB decided that it was appropriate to develop guidance for the application of Scope 3 greenhouse gas emissions ~~guidance on its application~~ in the public sector context during the implementation phase of the project. In addition, the IPSASB considered the complexity of public sector value chains and decided to extend the transition timeline for disclosing Scope 3 greenhouse gas emissions from one year to three years. ~~Entities that are using methodologies in line with the Greenhouse Gas Protocol might find it useful to refer to the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) for additional guidance and examples.~~

~~Climate-related m~~Metric Categories

~~BC60-BC64.~~ The IPSASB considered whether disclosures relating to remuneration tied to climate factors would be applicable for the public sector. While the 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 this [draft] Standard to encourage such disclosures in circumstances where they may be applicable. The IPSASB decided that it was appropriate to require disclosure of remuneration to "key management personnel" aligned with IPSAS 20, *Related Party Disclosures*.

~~BC61-BC1.~~ The IPSASB acknowledged that there are evolving terminologies and methodologies for valuing greenhouse gas externalities, such as "internal carbon pricing". The IPSASB explored the applicability of the terminology internationally, its applicability to public sector entities, and the importance of distinguishing internal carbon prices from the market price of carbon. In reviewing this analysis, the IPSASB decided that the terminology is applicable for the public sector and agreed to align the terminology for this topic with IFRS S2.

~~BC62-BC1.~~ 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 healthcare or education. Therefore, the IPSASB decided that SASB industry guidance should not be required for public sector entities, but could be considered to the extent they are relevant.

BC63-BC65. In drafting the IPSASB SRS ED 1, the IPSASB considered the public sector relevance of the capital deployment disclosure requirement under paragraph 29 of IFRS S2. While the requirement was initially not included in the IPSASB SRS ED 1, one respondent emphasized the importance of retaining the disclosure requirement, noting that public sector entities, like private sector entities, also make decisions about funding allocation. The respondent noted that the extent to which these entities allocate funding to climate-related issues in alignment with their strategy, and the ability to compare these decisions across the public sector, provides decision-useful information to users – including budgetary decision-makers. In consideration of its relevance to the public sector, disclosure requirements on capital deployment, in line with private sector guidance, have been incorporated into the [draft] Standard.

BC64-BC66. One respondent to the IPSASB SRS ED 1 noted that in addition to laws and regulation, the IPSASB should acknowledge that government policy can also drive the climate-related targets public sector entities are expected to work towards. The IPSASB decided that this concern was appropriately addressed in the proposed guidance, which requires disclosure of how the latest international climate agreements and jurisdictional commitments have informed each target, and highlights the need to consider an entity's own activities, relationships, and stakeholders, as well as the broader sustainability context, including national targets and commitments relevant to subnational entities.

BC67. ~~One~~ Another respondent to the IPSASB SRS ED 1 suggested that the [draft] Standard should require disclosure of carbon credits purchased, rather than solely focusing on the entity's planned use of carbon credits. The IPSASB noted that the purchase of carbon credits is a financial transaction and should be recognized in an entity's financial statements. In addition, AG92 states that entities may also disclose carbon credits already purchased if they are intended to be used toward meeting net greenhouse gas emissions targets. Overall, the IPSASB decided that the guidance does not preclude entities from disclosing carbon credits purchased, and did not identify a public sector-specific reason to depart from private sector guidance.

Peer metrics

BC65. The IPSASB acknowledged the importance of industry-based guidance to support preparers and standardized reporting. There is no current public sector equivalent to the industry-based guidance at the time of developing the [draft] Standard; however, there may be certain functions of government that can consider private sector industry metrics, such as in healthcare or education. Therefore, the IPSASB decided that SASB industry guidance should not be required for public sector entities, but could be considered to the extent they are relevant.

BC68.

BC69. The IPSASB decided that the term “peer metrics” is more appropriate for the public sector instead of “industry-based metrics”, as used in the IFRS S2. In particular, it was more appropriate for a public sector entity to consider metrics that are associated with operational models, activities, or other common features that are similar to other entities – such as similar categories of functions of government.

BC70. For the public sector, the Classification of Functions of Government (COFOG) from statistical reporting could provide a framework for the future development and application of “peer metrics” across the various generic functions undertaken by public sector organizations across many jurisdictions.

BC71. In the interim, the IPSASB noted that the SASB Standards and GRI Sector Standards could be applicable to certain categories of activity defined in COFOG and may therefore be useful for some public sector entities. Therefore, as part of an entity's peer metrics, the IPSASB decided that SASB Standards and GRI Sector Standards should not be required for public sector entities, but could be considered to the extent they are relevant.

Climate-related targets

BC72. In disclosing an entity's approach to setting and reviewing each target, and how it monitors progress against each target, the IPSASB noted that such validation processes may be more common in the private sector, in response to investor needs. Therefore, the IPSASB considered it appropriate to provide greater flexibility for public sector entities in providing disclosures regarding the validation process in setting climate-related targets. This approach maintains the expectation for transparency, while recognizing that public sector entities may rely on other oversight mechanisms.

~~BC66.~~

Effective date

~~BC67-BC73.~~ [To be updated]

Transition

~~BC68-BC74.~~ The IPSASB acknowledged the significant challenges to ~~implementing~~ climate-related reporting in the public sector. ~~However, A~~after consultation with the IPSASB Sustainability Reference Group, the IPSASB decided to propose a transition approach aligned with the private sector, 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.

~~BC69-BC75.~~ Responses to the IPSASB SRS ED 1 generally agreed that the proposed areas for transition relief were appropriate. Despite general agreement on the importance of transition relief for Scope 3 GHG emissions, most respondents expressed the view that the one-year transition relief for Scope 3 emissions reporting would be insufficient for building the necessary processes and systems to capture Scope 3 emissions data across complex public-sector value chains.

~~BC70-BC76.~~ Overall, acknowledging the widespread call for additional time to build capacity and systems for Scope 3 reporting, the ongoing revisions to the GHG Protocol at the time of developing this standard, while also considering the urgency of climate action and importance of meeting stakeholder expectations, the IPSASB decided that a three-year transition period is appropriate for public sector entities in reporting their Scope 3 emissions.

~~BC74-BC77.~~ In addition, a few respondents emphasized the importance of considering trade-offs and ~~a~~ just transition, particularly in balancing financial constraints with the need for climate-related disclosures in developing economies and smaller public sector entities. The IPSASB considered these concerns in reaching its decisions on retaining the proposed areas for transition relief and extending the transition period for Scope 3 emissions. Overall, the IPSASB decided that the transition reliefs provided, together with the proportionality mechanisms built into the [draft] Standard (see paragraph BC7), appropriately balance feasibility for preparers with the urgency of climate action.

Conceptual foundations

Fair presentation

[BC72-BC78.](#) In the absence of a 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: General Requirements for Climate-related Disclosures and Appendix C: Qualitative Characteristics. This guidance, adapted from the Conceptual Framework, is intended to ensure that information in climate-related disclosures is useful to primary users of general purpose financial reports, and provides information to assist an entity in the preparation of climate-related disclosures.

Determining material information for disclosure

[BC73-BC79.](#) The IPSASB acknowledges that there are varying approaches and guidance to determining material information across different sustainability standards. The IPSASB decided that the steps to reporting appropriate information for the public sector disclosures include:

- (a) Step 1 - Understanding the entity's context;
- (b) Step 2 - Identifying climate-related risks and opportunities; and
- (c) Step 3 - Determining material information.

[BC74-BC80.](#) This approach primarily aligns with IFRS S1 but layers in GRI guidance on understanding the entity's context and engaging stakeholders.

[BC75-BC81.](#) Step 1 is based on the first step in GRI 3 to determining material topics, which provides guidance on considering the entity's activities, relationships, stakeholders and context. The IPSASB decided that this is an important step to include for the public sector given the broad reach and responsibilities of the public sector. It is important for entities to understand their own activities, relationships, stakeholders, as well as the broader sustainability context including, for example, national targets and commitments to which a subnational entity contributes.

[BC76-BC82.](#) As part of understanding an entity's context, the IPSASB considered the importance of the perspectives of indigenous peoples in sustainable development and therefore decided to add the UN Declaration of Rights of Indigenous Peoples as another authoritative intergovernmental instrument setting expectations for responsible conduct for understanding the broader climate context (see paragraph B.AG11).

[BC77-BC83.](#) Step 2 and Step 3 mirror IFRS S1 guidance on identifying risks and opportunities and determining material information related to the identified risks and opportunities. Additional guidance from GRI was leveraged to provide guidance on stakeholder engagement. The IPSASB decided that Step 2 and Step 3, which align with the IFRS S1 approach, are appropriate because:

- (a) The purpose of the process is to determine material information for reporting (compared with other approaches that identify material topics rather than determine material information);
- (b) The concept of materiality requires judgments about information from a quantitative and qualitative perspective (which is consistent with the approach to materiality for IFRS Sustainability Disclosure Standards which step 2 and 3 are based); and

- (c) Guidance on engaging stakeholders is needed for the public sector, which is based on GRI 3 Material Topics 2021, given the demand for a multistakeholder approach in public sector reporting.

Materiality

~~Development of the materiality definition in IPSASB SRS ED 1~~

~~BC78-BC84.~~ When developing the IPSASB SRS ED 1, ~~there was discussion on~~ the IPSASB ~~discussed~~ the concepts of “single” or “financial” materiality versus “double” or “financial and impact” materiality. The IPSASB decided that the approach to determine materiality should mirror the approach~~es~~ used in the financial statements and the Conceptual Framework, which ~~are~~~~is~~ also aligned with IFRS Sustainability Disclosure Standards. Therefore, the IPSASB determined that using the definition of material information from the 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 Conceptual Framework;
- (b) **The objectives** of reporting are to support primary 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 apply equally to climate-related reporting as to 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.
- (d) Materiality is classified as a constraint on information included in general purpose financial reports in the Conceptual Framework. In developing this [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 this [draft] Standard, entities preparing disclosures of climate-related information will also consider the materiality of the separate disclosure of particular items of information.

~~BC79-BC85.~~ The IPSASB decided that materiality is a pervasive concept throughout this [draft] Standard, guiding assessments of whether an omission or misstatement could influence primary users' decisions and therefore be deemed material. This [draft] Standard provides guidance that materiality assessments involve understanding that primary users are assumed to have a reasonable knowledge of the public sector and its activities and accounting, and a willingness to study the information with reasonable diligence. Accordingly, the [draft] Standard takes into account how primary users, with such attributes, could reasonably be expected to be influenced in making and evaluating decisions.

~~BC80-BC86.~~ There is significant judgment required in determining whether information is material to primary users. This [draft] Standard provides additional guidance to address the nature of risks and opportunities, which are commonly considered when determining the materiality of information.

BC84-BC87. When developing the IPSASB SRS ED 1, the IPSASB considered whether information that is sensitive and/or confidential should be excluded from disclosure. The IPSASB decided that such information in the public sector is expected to be rare and should not be excluded in the public interest. An entity should evaluate the needs of the primary user in light of any applicable legal requirements.

Materiality definition in the IPSASB SRS 1

BC82-BC88. Responses to the IPSASB SRS ED 1 revealed diverse interpretations to the proposed materiality definition, with interpretations often linking to external materiality labels such as “financial”, “double”, and “impact”, which exist outside of the IPSASB literature. While some respondents interpreted the proposed materiality definition as “financial materiality”, others observed that the broader stakeholder group and emphasis on accountability to meet primary users’ information needs can be interpreted as “double materiality”.

BC83-BC89. Considering the range of interpretations, the IPSASB decided that while the proposed definition of materiality was appropriate, further clarity needs to be provided for preparers in applying the materiality definition. As a result, the IPSASB agreed to prioritize the development of non-authoritative educational material on materiality for sustainability reporting, adapted from existing private sector guidance, to support preparers with the interpretation of applying the materiality definition.

Cost-benefit

BC84-BC90. In developing this [draft] Standard, the IPSASB considered information from preparers, primary 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 primary 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.

Reporting Entity

BC85-BC91. The Conceptual Framework sets out the type of entities that are considered public sector entities. In drawing from the Conceptual Framework, the IPSASB decided that this [draft] Standard should remain focused on reporting by the same entity that prepares the financial statements. A focus on the same reporting entity as the financial statements has the benefit of following lines of control and supporting organization-focused accountability, while also facilitating both collection of climate-related risks and opportunities for the entity and the integration of such information with financial information in the entity’s financial statements.

General requirements

BC86-BC92. When developing the IPSASB SRS ED 1, 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.

BC87-BC93. The IPSASB further considered the requirement to revise comparative information to reflect updated estimates and decided to align with IFRS S1, which includes an impracticability exemption that 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.

[BC88-BC94.](#) The IPSASB also decided that the general requirements on sources of guidance from IFRS S1 are applicable, with necessary climate-specific adaptations. Additionally, the IPSASB decided that public sector entities should be provided with flexibility to consider the applicability of sources, including the SASB Standards and GRI Sector Standards.

[BC89-BC95.](#) The IPSASB acknowledged that there may be significant measurement uncertainty in relation to climate-related metrics. Further, the IPSASB acknowledged that both quantitative and qualitative metrics can generally provide useful information; however, high levels of measurement uncertainty could potentially diminish the reliability of an estimate in providing useful information.

[BC90-BC96.](#) Responses generally supported the proposed alignment of the general requirements with IFRS S1, noting that this alignment with IFRS S1 fosters consistency and enhances comparability between the private and public sectors. There was also additional feedback, where some respondents suggested that the IPSASB should ~~separate-provide~~ General Requirements ~~into~~ a separate standard, establishing an overarching framework to guide emerging information needs across a range of sustainability-related topics. The IPSASB acknowledged the importance of developing general sustainability-related disclosures guidance, and in consideration of resources available, decided that this would be an option for the future work program as the IPSASB develops its suite of sustainability reporting standards.

[BC94-BC97.](#) In addition, some respondents highlighted challenges to simultaneously providing sustainability and financial reporting within general purpose financial reports. Respondents pointed to challenges such as the timing and availability of secondary data with the financial reporting cycle, resource constraints in collecting and compiling climate information on an annual basis, and whether assurance requirements on financial statements would be expected to be applied to climate-related disclosures. While the IPSASB acknowledge that there may be implementation challenges to the proposed timing of reporting and location of disclosures, the IPSASB decided that existing guidance should appropriately address the issues raised, including transition reliefs (see paragraphs 37–41), using secondary data sources that rely on information collecting in a different reporting period (see paragraphs AG76–AG77), including material information by cross-reference provided that the information is available on the same terms and at the same time (see paragraph B.AG58), and proportionality mechanisms (see paragraph BC7).

[BC92-BC98.](#) One respondent suggested that the proposed climate-related disclosures should be better integrated with the financial statements. The IPSASB noted that the proposed climate-related disclosures are intended to be a part of general purpose financial reports, and are consistent with the IPSASB Conceptual Framework. Accordingly, these disclosures are expected to be situated within the broader financial report, even if they are presented outside the financial statements themselves. Overall, the IPSASB decided that the proposed approach ensures appropriate connectivity with the financial statements.

Statement of compliance

BC93-BC99. A respondent to IPSASB SRS ED 1 suggested that the IPSASB consider allowing partial statements of compliance to support broader adoption, acknowledging that full compliance may take several years to achieve. The IPSASB acknowledged that such an approach could facilitate adoption; however, decided that the [draft] Standard already provides appropriate transition relief to address this concern.

Implementation guidance and illustrative examples

BC94-BC100. The IPSASB considered the public sector applicability of the Accompanying Guidance on IFRS S1 and the Accompanying Guidance on IFRS S2 and decided to include implementation Guidance and illustrative Examples that are applicable to the public sector context.

BC95-BC101. However, the IPSASB decided not to adopt the industry-based guidance from the Accompanying Guidance on IFRS S2, considering this to be relevant only to a limited subset of public sector entities. The IPSASB concluded that it was more appropriate to refer to the SASB and GRI sector standards as optional resources.

BC96-BC102. In addition, the IPSASB decided that public sector-specific implementation guidance and illustrative examples should be provided on selected topics. This includes additional illustrative examples on the disaggregation of Scopes 1, 2, and 3 greenhouse gas emissions between public sector functions, as well as an additional illustrative guidance to address the disclosure of climate financing mechanisms within the [draft] Standard.

Implementation Guidance

This guidance accompanies, but is not part of, [draft] IPSASB SRS [X].

Climate-related metrics

IG1. Which metrics should an entity disclose in relation to the metric categories in paragraphs 26(b)–26(e) of this [draft] Standard~~its climate-related physical and transition risks, and climate-related opportunities?~~

A: Paragraph 26 of this [draft] Standard requires an entity to disclose information relevant to particular metric categories. These examples provide an illustration of such information for the requirements in paragraphs 26(b)–26(e) of this [draft] Standard.

Metric category	Unit of measure	Example metrics
Climate-related transition risks	Amount and percentage	<ul style="list-style-type: none"> Amount or percentage of assets that could become stranded or impaired Amount or percentage of carbon-related assets (i.e., assets tied to fuel and energy functions)
Climate-related physical risks	Amount and percentage	<ul style="list-style-type: none"> Proportion of property or infrastructure in areas subject to flooding, heat stress or water stress Proportion of real assets exposed to climate-related hazards Wastewater treatment capacity located in 100-year flood zones Revenue associated with water withdrawn and consumed in regions of high or extremely high baseline water stress
Climate-related opportunities	Amount and percentage	<ul style="list-style-type: none"> Goods or services that support the transition to a lower carbon economy Investments and programs related to energy efficiency and lower carbon technology Number of (1) zero-emissions vehicles, (2) hybrid vehicles and (3) plug-in hybrid vehicles in operating fleet Proportion of buildings certified to a third-party, multi-attribute, green-building standard
<u>Capital deployment</u>	<u>Presentation currency</u>	<ul style="list-style-type: none"> <u>Percentage of annual capital expenditure allocated to climate adaptation measures (for example, soil health, irrigation and technology)</u> <u>Percentage of climate-related investment deployed through partnerships or grants</u>

IG2. What should an entity consider when disclosing its Scope 3 greenhouse gas emissions?

A: An entity 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 disclosing its emissions. Emissions that do not fall within Scope 1, Scope 2, or the 15 categories of Scope 3 are outside the required disclosures in the [draft] Standard. Emissions outside the required disclosures include those arising from any type or set of interventions taken or mandated by a public sector entity exercising its sovereign powers to influence the decisions or behaviors of other entities or individuals.

Transition**IG2-IG3. Transition relief is granted for the “first annual reporting period in which an entity applies this [draft] Standard”. When is an entity considered to have applied this [draft] Standard?**

A: A first time-adopter may determine the date on which it adopts this [draft] Standard, unless it is required by another entity to adopt this [draft] Standard by a specific date.

The entity is considered to have applied this [draft] Standard from the date on which it adopts this [draft] Standard and for which it prepares its first climate-related disclosures in accordance with this [draft] Standard in its entirety (except for the specific transitional reliefs provided for the first annual reporting period being the first year after the date of adoption of this [draft] Standard).

This may be different from the date on which an entity formally and publicly announces its decision that it will adopt this [draft] Standard, which may or may not be the same as the date of adoption of this [draft] Standard.

Primary users**IG3-IG4. How does an entity assess whether its disclosures meet primary users’ information needs?**

A: Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity’s general purpose financial reports requires that entity to consider the characteristics of those users while also considering the entity’s own circumstances. General purpose financial reports include—but are not restricted to—an entity’s general purpose financial statements and climate-related disclosures.

Existing and potential service recipients and their representatives, and resource providers and their representatives are the primary users to whom general purpose financial reports are directed. General purpose financial reports are prepared for users with a reasonable knowledge of operational and economic activities, public sector programs and operations, and who review and analyze the information diligently. However, even well-informed and diligent users may need to seek the aid of an adviser to understand climate-related financial information.

General purpose financial reports do not, and cannot, provide all the information that primary users need. Therefore, the entity aims to meet the common information needs of its primary users. It does not aim to address specialized information needs—information needs that are unique to particular users.

To meet the common information needs of its primary users, an entity first separately identifies the information needs of one of the types of primary users—for example, service recipients and

their representatives (existing and potential). The entity then repeats the assessment for resource providers and their representatives (existing and potential). The combined information needs identified by these assessments form the set of common information needs that the entity aims to meet.

In other words, the assessment of common information needs does not require an entity to identify the information needs that are shared by all primary users. Some identified information needs will be common to all types of primary users, but others may be specific to only one or two types. If an entity were to focus only on information needs that are common to all types of primary users, it might exclude information that meets the needs of only one type of primary user.

Publicly available information

IG4-IG5. Does the entity need to disclose publicly available information as a part of its climate-related disclosures?

A: Primary users do not source information exclusively from general purpose financial reports. For example, primary users might also consider information about the function of the entity and the jurisdiction(s) in which the entity operates; information about the state of the economy; and information in the entity's news releases as well as other documents the entity has published. However, the fact that information is publicly available does not relieve an entity of its responsibility to disclose material information about the climate-related risks and opportunities that could reasonably be expected to affect the entity's long-term fiscal sustainability over the short, medium or long term.

Green financing instruments

IG5-IG6. What information should an entity disclose in relation to green financing instruments?

A: Green financing instruments such as green bonds and sustainability-linked loans should be reflected in an entity's financial statements.

While this [draft] Standard is not intended as a climate financing standard and does not explicitly reference green financing mechanisms, if such instruments give rise to material climate-related risks and opportunities, these should be disclosed in accordance with this [draft] Standard. For example, an entity that has issued a green bond may face increased climate-related transition risks (e.g. credit risk, reputational risk) if it fails to implement planned climate-related actions through allocating proceeds to eligible Green Projects with clear environmental benefits. Relevant disclosures in the [draft] Standard could include the following:

- (a) Governance: Oversight of climate-related risks and opportunities, including climate-related transition risks arising from the green bond;
- (b) Strategy: How the entity plans to respond to these climate-related transition risks through its strategy and decision-making;
- (c) Risk management – Policies and processes for identifying, assessing, prioritizing and monitoring these climate-related transition risks; and
- (d) Metrics and Targets: Any targets that the entity has set on the allocation of proceeds to eligible Green Projects, as a part of achieving the entity's climate-related strategic goals.

In addition, the principles and guidance in RPG 3, *Reporting Service Performance Information* are relevant for an entity in reporting on sustainability programs, including green bonds. An entity may refer to *Reporting Service Performance Information—Amendments to RPGs 1 and 3: Additional Non-authoritative Guidance*, which provides an example of reporting on a program financed by a green bond.

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Illustrative Examples

These examples accompany, but are not part of, IPSASB SRS [X].

IE1. These examples set out hypothetical situations illustrating how an entity might apply some of the requirements in this [draft] Standard. The analysis in each example is not intended to represent the only manner in which the requirements could be applied, nor are the examples intended to apply only to the specific fact pattern illustrated. For illustrative purposes, the examples use simple fact patterns. When making disclosures in accordance with this [draft] Standard, an entity would need to consider all relevant facts and the specific circumstances of a particular fact pattern.

Aggregation and disaggregation of greenhouse gas emissions

IE2. Examples 1–4 illustrate some considerations when determining if it is necessary to disaggregate information when disclosing greenhouse gas emissions in accordance with the requirements of this [draft] Standard. These examples do not illustrate all reasons that could be necessary to disaggregate information when disclosing greenhouse gas emissions. Where relevant, these examples refer to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).

Example 1—Disaggregating Scope 1 and Scope 2 greenhouse gas emissions between the consolidated accounting group and other investees

IE3. Example 1 illustrates the requirements in paragraphs (i)–AG1(b)(iii)c to disclose and disaggregate Scope 1 and Scope 2 greenhouse gas emissions between an entity's consolidated accounting group and its investees not included in the consolidated accounting group.

IE4. The entity applies the equity share approach, as outlined in the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), to set its organizational boundary for the purposes of measuring its greenhouse gas emissions. The entity applies IPSAS Standards and has one investment that it accounts for as an investment in an associate. Applying the equity share approach, the entity determines its Scope 1 greenhouse gas emissions to be 7,350 metric tons CO₂ equivalent (CO₂e), and its Scope 2 greenhouse gas emissions to be 1,320 CO₂e.

IE5. Table 1 illustrates the disaggregation of the total Scope 1 and Scope 2 greenhouse gas emissions disclosed by the entity when it applies paragraph AG1(b)(iii)c.

Table 1: Disaggregation of Scope 1 and Scope 2 greenhouse gas emissions between the consolidated accounting group and the other investees

	Greenhouse gas emissions (metric tons CO ₂ e)		
	Scope 1	Scope 2	Total
Consolidated accounting group	4,900	830	5,730
Other investees (investment in associate)	2,450	490	2,940
Total disclosed (equity share method)	7,350	1,320	8,670

Example 2—Disaggregating Scope 3 greenhouse gas emissions by Scope 3 categories

- IE6. Example 2 illustrates the disaggregation of Scope 3 greenhouse gas emissions in accordance with paragraph AG1(b)(i)c and paragraph AG1(b)(v), applying the principles of aggregation and disaggregation (paragraphs B.AG47–B.AG48). For simplicity, this example illustrates only an entity's considerations related to how it presents its disclosures of Scope 3 greenhouse gas emissions from upstream transportation and distribution (Category 4) and its Scope 3 greenhouse gas emissions from waste generated in operations (Category 5).
- IE7. A public sector entity applies paragraph AG59 of this [draft] Standard. It measures its Scope 3 greenhouse gas emissions from the upstream transportation of equipment and waste generated in operations. The entity determines these Scope 3 greenhouse gas emissions to be Category 4—upstream transportation and distribution and Category 5—waste generated in operations in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). The entity considers whether disaggregation of its Category 4 and Category 5 Scope 3 greenhouse gas emissions is required to meet the requirements in this [draft] Standard (paragraphs B.AG47–B.AG48).
- IE8. In relation to Category 4—upstream transportation and distribution, the entity considers that:
- (a) Its greenhouse gas emissions in relation to this category account for 20% of its total disclosed Scope 1, Scope 2 and Scope 3 greenhouse gas emissions;
 - (b) It has committed to the optimization of transport routes by 20x0;
 - (c) It has set specific supplier engagement targets for reducing Category 4 greenhouse gas emissions; and
 - (d) Its supply chain is located in jurisdictions with nationally determined contributions, and, as a result, suppliers are subject to increasingly strict emissions-related regulations and taxation policies.
- IE9. In relation to Category 5—waste generated in operations, the entity considers that:
- (a) It has a three-year plan to reduce emissions from waste;
 - (b) Its jurisdiction has raised concerns on health hazards from waste incineration, and has set a national roadmap to reduce emissions from waste for public sector entities; and
 - (c) Its greenhouse gas emissions in this category account for 30% of its total disclosed Scope 1, Scope 2 and Scope 3 greenhouse gas emissions.
- IE10. Although this [draft] Standard does not explicitly require disaggregation of Scope 3 greenhouse gas emissions by category, the entity considers the requirement in this [draft] Standard that prohibits information from being aggregated if doing so would obscure information that is material.
- IE11. For the reasons outlined in paragraphs IE6–IE10, the entity determines that disaggregating information about its Scope 3 Category 4 greenhouse gas emissions and its Scope 3 Category 5 greenhouse gas emissions is necessary to provide material information to primary users of general purpose financial reports.

- IE12. The entity decides to include a table to supplement the disclosure of its Scope 3 greenhouse gas emissions, as illustrated in Table 2.

Table 2: Disclosure excerpt of Scope 3 greenhouse gas emissions disaggregated between Category 4 and Category 5

Greenhouse gas emissions (metric tonnes CO ₂ e)		
	20X1	20X0
Category 4—Upstream transportation and distribution	34,000	35,000
Category 5—Waste generated in operations	13,000	14,600

Example 3—Disaggregating greenhouse gas emissions by constituent greenhouse gases

- IE13. Examples 3A and 3B illustrate the disaggregation of an entity's absolute greenhouse gas emissions by constituent greenhouse gases. Although this [draft] Standard does not explicitly require such disaggregation, an entity is required to apply the principles of aggregation and disaggregation set out in this [draft] Standard (paragraphs B.AG47–B.AG48).

Example 3A—Disaggregation of Scope 1 greenhouse gas emissions by constituent gas

- IE14. For simplicity, this example illustrates only an entity's considerations related to methane emissions. Considerations related to other constituent gases are ignored.
- IE15. An entity operates in the utilities industry. It measures its Scope 1 greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). The entity considers how to disclose information about its Scope 1 greenhouse gas emissions. In making its decision, the entity considers that:
- A jurisdiction in which it operates has introduced stringent regulations on the utilities industry relating to methane emissions arising from production;
 - The entity is required to refer to and consider the applicability of suitable peer metrics (see paragraph 29), and chooses to refer to the SASB Standards for the Gas Utilities & Distributors industry;
 - The entity's risk function has determined that Scope 1 methane emissions could pose high climate-related transition risks due to a national methane pledge; and
 - The entity has made process improvements to reduce Scope 1 methane emissions, thus reducing the risk of potential regulatory liabilities.
- IE16. Although this [draft] Standard does not explicitly require disaggregation by constituent greenhouse gases, the entity considers the requirement in this [draft] Standard that prohibits information from being aggregated if doing so would obscure information that is material.
- IE17. For the reasons outlined in paragraphs IE15–IE16, the entity determines that disaggregating information about its Scope 1 methane emissions is necessary to provide material information to primary users of general purpose financial reports.

- IE18. The entity discloses its greenhouse gas emissions in accordance with paragraph 26, and decides to include a table to supplement the disclosure of its Scope 1 greenhouse gas emissions, as illustrated in Table 3.

Table 3: Disclosure excerpt of Scope 1 greenhouse gas emissions disaggregated by constituent gas

Greenhouse gas emissions (metric tonnes CO ₂ e)		
	20X1	20X0
Methane	23,000	24,000

Example 3B—Disaggregation of a Scope 3 category by constituent gases

- IE19. For simplicity, this example illustrates only an entity's considerations related to its emissions from purchased goods and services (Scope 3 Category 1), and, specifically, its CO₂ and nitrogen oxide (N₂O) emissions. Considerations related to other Scope 3 categories and other constituent gases are ignored.
- IE20. A waste management agency in the public sector measures its Scope 3 greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). The entity considers how to disclose information about its emissions from purchased goods and services (Scope 3 Category 1 greenhouse gas emissions). In making its decision, the entity considers that a substantial proportion of its waste management services is outsourced to private companies to handle waste collection, recycling, and disposal services. The entity learns that these private companies have high Scope 1 emissions —specifically, CO₂ and N₂O— both of which are subject to stringent regulation in the jurisdiction. Based on this consideration, the entity determines that information about its emissions from purchased goods and services is material.
- IE21. The entity then also considers circumstances related to CO₂ and N₂O emissions, including:
- (a) Whether and how the private companies providing waste management services measure, manage, and monitor their CO₂ and N₂O emissions; and
 - (b) Whether and how the entity has set specific targets for CO₂ emissions reduction.
- IE22. Although not explicitly required by this [draft] Standard to disaggregate Scope 3 Category 1 greenhouse gas emissions by constituent greenhouse gases, the entity considers the requirement in this [draft] Standard that prohibits information from being aggregated if doing so would obscure information that is material.
- IE23. For the reasons outlined in paragraphs IE19–IE22, the entity determines that disaggregating information about CO₂ and N₂O emissions from purchased goods and services is necessary to provide material information to primary users of general purpose financial reports.
- IE24. The entity discloses its greenhouse gas emissions in accordance with paragraph 26 of this [draft] Standard and decides to include a table to supplement the disclosure of its Scope 3 greenhouse gas emissions, as illustrated in Table 4.

Table 4: Disclosure excerpt of Scope 3 Category 1 greenhouse gas emissions disaggregated by constituent gases

Greenhouse gas emissions (metric tonnes CO₂e)

	20X1	20X0
Carbon dioxide	46,000	48,000
Nitrogen oxide	1,000	1,020

Example 4—Disaggregation of greenhouse gas emissions by function within a public sector entity

- IE25. A public sector entity discloses its greenhouse gas emissions in accordance with paragraph 26. The entity performs a range of public sector functions, including a policy setting-design function and a service delivery function.
- IE26. The entity was delegated responsibility for part of a national climate action plan and established a policy design function in 20X1 for the purposes of fulfilling this responsibility. This was a major expansion of the entity's operations, particularly from the increase in number of new employees in this policy design function starting from its establishment.
- IE27. Although this [draft] Standard does not explicitly require disaggregation by function, the entity considers the requirement in this [draft] Standard that prohibits information from being aggregated if doing so would obscure information that is material.
- IE28. For the reasons outlined in paragraphs IE25–IE27, the entity determines that disaggregating information about its absolute greenhouse gas emissions by function is necessary to provide material information to primary users of general purpose financial reports.
- IE29. The entity discloses its greenhouse gas emissions in accordance with paragraph 26 of this [draft] Standard. In particular, the entity refers to paragraph AG59 and determines its Scope 3 categories for disclosure. The entity determines its material Scope 3 categories for the policy design function, such as Category 6 – Business Travel, where the entity measures greenhouse gas emissions from the transportation of employees for policy design activities. Table 5 illustrates the disaggregation of greenhouse gas emissions by function and scope within a public sector entity.

Table 5: Disclosure excerpt of greenhouse gas emissions disaggregated by function

Function	Greenhouse gas emissions (metric tonnes CO ₂ e)					
	20X1			20X0		
	Scope 1	Scope 2	Scope 3	Scope 1	Scope 2	Scope 3
Policy Design	1,900	2,080	4,820	-	-	-
Service Delivery	12,000	6,300	15,000	11,500	7,000	14,000

Comparison with IFRS S2

[draft] IPSASB SRS [X], *Climate-related Disclosures* is drawn primarily from IFRS S2 *Climate-related Disclosures* (2023). The main differences between IPSASB SRS [X] and IFRS S2 are as follows:

- [draft] IPSASB SRS [X] contains additional guidance on understanding an entity's context in determining material information, drawing on GRI 3: Material Topics (2021).
- [draft] IPSASB SRS [X] includes a rebuttable presumption that entities use GHG Protocol: A Corporate Accounting and Reporting Standard (2004), unless a different method is determined to better meet primary user information needs, whereas IFRS S2 requires entities to measure their greenhouse gas emissions in accordance with the same GHG Protocol, unless required by a jurisdictional authority or an exchange on which the entity is listed.
- [draft] IPSASB SRS [X] contains additional guidance on conceptual foundations and general requirements drawn from the IPSASB Conceptual Framework and IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.
- [draft] IPSASB SRS [X] uses different terminology, in certain instances, from IFRS S2. The most significant examples are the use of the terms "long-term fiscal sustainability", and "operational model". The equivalent terms in IFRS S2 are "an entity's prospects" and "business model", respectively.

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