

PRI RESPONSE

PROPOSED INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD SUSTAINABILITY REPORTING STANDARD ON CLIMATE-RELATED DISCLOSURES

February 2025

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To inform this response, the following investor group has been consulted: PRI Global Policy Reference Group and PRI Sovereign Debt Advisory Committee. This consultation is not an endorsement or acknowledgement of the views expressed in this response.

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United Nations
Global Compact

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. We welcome the opportunity to respond to the International Public Sector Accounting Standards Board (IPSASB) [consultation](#) on its inaugural Sustainability Reporting Standards Exposure Draft, *Climate-related Disclosures*.

ABOUT THIS CONSULTATION

IPSASB is proposing disclosure requirements for public sector entities to report on climate-related risks and opportunities to their own operations, and on climate-related public policy programs and their outcomes, that are useful for investors and other primary users of general-purpose financial reports. The proposed requirements build on the reporting standards of the IFRS Foundation's International Sustainability Standards Board (ISSB). Given that IPSASB standards are voluntary for public sector entities, their uptake relies on user (including investor) demand.

IPSASB standards are designed for public sector entities that meet all of the following three criteria:

- Are responsible for delivery of services (goods, services and policy advice – including to other public sector entities) to benefit the public and/or to redistribute income and wealth.
- Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees.
- Do not have the primary objective to make profits.

The standard is designed for reporting by a wide range of public sector entities, including:

- National, regional, state/provincial and local governments.
- Government ministries, departments, programs, boards, commissions, agencies.
- Public sector social security funds, trusts and statutory authorities.
- International governmental organizations.

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KEY RECOMMENDATIONS

Investors are increasingly concerned about the economic and financial risks to public sector entities posed by climate change. As part of their fiduciary response to manage these risks and opportunities, many are [integrating assessments of these risks into portfolio allocations, including for sovereign and sub-sovereign bonds](#). Similarly, a growing proportion of investors are assessing the climate change profile of jurisdictions to determine the overall risk profile of investments in other asset classes, including listed equities and infrastructure. The emergence of frameworks and databases like [ASCOR](#) is a result of this practice among investors.

To perform such assessments effectively, investors increasingly need whole-of-government information about sovereign exposure to climate-related risks and opportunities. However, investors currently lack this information from many jurisdictions.

Therefore, we welcome IPSASB's work to create a common baseline of climate-related disclosures for public sector entities, designed to improve and standardise this reporting across jurisdictions and reporting cycles. This would support better understanding and pricing of relevant risks and opportunities, provide greater transparency on the progress of governments' economic responses to climate change, help investors to identify future investment opportunities in the net zero transition, and support their own reporting to clients and regulators.

Further, the PRI supports the alignment of the draft Standard with the ISSB standards – whose general requirements and disclosure obligations respond well to investors' need for high-quality reporting on climate-related risks and opportunities, their various financial and strategic implications and entities' strategy to manage these. Consistency across public and private sector standards will also support comparability of reporting for investors, by reducing complexity and fragmentation in sustainability disclosures across investment portfolios.

However, there is still room for IPSASB to enhance the standards in ways that would better meet investor data needs. **The PRI's key recommendations are for IPSASB to:**

- Include a list of peer metrics that entities should consider disclosing on their own operations and policy programs – starting with the list of metrics in [Annex 1](#), which were proposed by the World Bank and which investors participating in the PRI's [Collaborative Sovereign Engagement on Climate Change](#) have recognised would add value to sovereign climate reporting. This list should also reference the [ASCOR framework](#) as a further set of metrics that public entities (particularly for whole-of-government reporting) may want to self-report against.
- Clarify that whether a policy is reported on should not depend on its primary objectives, but rather on materiality (as defined by the Standard) of the climate-related risks, opportunities and impacts associated with the policy – to ensure relevant information is disclosed to investors.
- Clarify that, where applicable, public sector entities should report greenhouse gas emissions and climate-related targets applicable to the territories for which they are responsible, and the labelled debt (e.g. green bonds) they issue. This information is needed to provide investors with a complete picture of the climate-related risks, opportunities and impacts associated with their sovereign (or sub-sovereign) investments, and how these are likely to evolve in the future.
- Conduct capacity building and publish guidance to promote effective implementation of the Standard, particularly for public sector entities less experienced with sustainability reporting.

DETAILED RESPONSE

The consultation sets out Specific Matters for Comment, a summary of the exposure draft's proposal in these areas and a question to respondents about this. These have been included below in blue text, italicised text and bold italicised text (respectively), along with our responses to each question.

Our responses are informed by the following:

- Consultation with investors in PRI's [Global Policy Reference Group](#) and [Sovereign Debt Advisory Committee](#).
- The views of investors within PRI's [Collaborative Sovereign Engagement on Climate Change](#), a small but active set of PRI signatories working collaboratively to support governments to mitigate climate change, in line with investors' fiduciary duty to mitigate financial risk and maximise long-term value of assets. A more detailed summary of these views is available upon request.
- Views on corporate sustainability reporting that have shaped PRI's engagement with international and regional sustainability reporting standard-setting developments, on behalf of signatories.

Specific Matter for Comment 1: Public sector operations and regulatory role (paragraphs 1-4)

*This Exposure Draft requires a public sector entity to provide disclosures about (i) the climate-related risks and opportunities that are expected to affect its own operations, and (ii) climate-related public policy programs and their outcomes when an entity has responsibility for those programs and their outcomes (see paragraphs 3 and AG2.7–AG2.8). **Do you agree the proposed approach meets the information needs of primary users (see paragraphs 1–4)? If not, what alternative approach would you propose and why?***

The PRI supports the requirement for entities to report on their climate-related risks and opportunities, as this would enable investors to better understand and price them.

We also support the requirements on climate-related public policy programmes particularly given their importance to achieving the goals of the Paris Agreement.¹ However, we would favour additional reporting on public policy programs beyond those defined in the draft standard² – i.e. with a primary objective to achieve climate-related outcomes – where this information is material. This recommendation is set out in our response to Specific Matter for Comment 3.

Specific Matter for Comment 2: Own Operations (Appendix A1: Application Guidance – Own Operations)

*The Exposure Draft primarily aligns disclosure requirements about an entity's own operations with private sector guidance (IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures), with public sector guidance, including a rebuttable presumption that entities use the GHG Protocol: A Corporate Accounting and Reporting Standard (2004), unless another established method of measuring its greenhouse gas emissions is more appropriate or required by a jurisdictional authority (see paragraph AG1.72). **Do you agree with the proposed approach and guidance? If not, what alternative approach would you propose and why?***

¹ UN-convened Net-Zero Asset Owner Alliance, 2024, [A Call to Action to Governments to Respond with Urgency on Systemic Climate Risk](#).

² Defined as "public policy programs with a primary objective to achieve climate-related outcomes."

The PRI supports the proposed approach and guidance on own operations. In our view the requirements effectively respond to investors' need for reporting on:

- Public sector entities' exposure to climate-related risks and opportunities and how this is assessed and managed.
- How such exposure may affect bond performance, fiscal positions and economic performance of different jurisdictions.
- How the entity is managing and responding to these risks and opportunities, including through policies, targets and relevant expenditure.

Further, we welcome the approach to align these requirements with equivalent provisions in the ISSB standards, given that investors have identified this information as decision-useful³ in the context of corporate reporting.

We assume the requirements would capture reporting on an entity's climate-related risks and opportunities that arise from the policies of other national or federal bodies, and recommend this is clarified in the standard to avoid confusion. Further, to enhance implementation, we recommend that entities are also encouraged to consider the Partnership for Carbon Accounting Financials (PCAF) methodology in reporting GHG emissions, and that guidance is provided on sovereign-specific challenges for calculating Scope 3 GHG emissions such as avoiding double counting between the emissions of national governments and cities.

Our main recommendation relates to the "metrics" pillar. We note that alongside the metrics included within the Standard – which are useful to investors – entities are also required to disclose "peer metrics" associated with particular operational models, activities or other common features that are similar to other entities (e.g. similar categories or functions of government). This is useful as it allows entities to reflect risks, opportunities and impacts applicable to their specific circumstances.

The draft standard notes that these metrics may be determined by considering sector-specific ISSB and GRI materials. However, reference to more public sector-specific metrics would improve the relevance of this reporting to investors, while allowing reporting entities to make informed decisions on whether to report these metrics based on the materiality assessment, relevance to their operations and consistency with measurements they already make or are able to implement with an acceptable level of cost or disruption.

We recommend that IPSASB consider including the additional metrics within [Annex 1](#) in such a list as further metrics that entities may want to self-report against. These metrics were initially proposed by the World Bank in its report: [Sovereign Climate and Nature Reporting: Proposal for a Risks and Opportunities Disclosure Framework](#), and have been identified as useful datapoints by investors within PRI's [Collaborative Sovereign Engagement on Climate Change](#). We recommend that IPSASB similarly consider reference to the Assessing Sovereign Climate-related Opportunities and Risks

³ As set out in the PRI's [Investor Data Needs framework](#), to be decision-useful, sustainability information must be available, accessible, verifiable, comparable across multiple dimensions, a faithful representation and relevant to investors.

(ASCOR) [framework](#)⁴ and [CDP questionnaires](#) for public sector entities as further metrics that public sector entities (particularly for whole-of-government reporting) may want to self-report against.

Specific Matter for Comment 3: Scope of Public Policy Programs (paragraph 3 and AG2.4–AG2.6)

*This Exposure Draft requires disclosures about public policy programs with a primary objective to achieve climate-related outcomes. **Do you agree with this approach and the scope of public policy programs included in required disclosures? If not, what alternative approach would you propose and why?***

The PRI does not support this proposal, as investors are likely to require reporting on public policy programs beyond those with a primary objective to achieve climate-related outcomes.

For instance, as evidenced by the [ASCOR framework](#), in their decision-making investors tend to consider policies with negative climate and nature impacts. However, there is a risk that such policies would not be reported on under IPSASB's proposed scope because their primary objective does not relate to climate, despite this information being material to investors.

Policies without climate-related outcomes as a primary objective may still bring about material climate-related risks and opportunities for entities, or yield climate-related impacts that would influence investment decisions. Investors need reporting on these policies to inform their assessment of an entity's fiscal sustainability, impacts and alignment with sustainability goals and thresholds.

Therefore, whether a policy is reported on should not depend on its primary objectives, but instead on materiality (as defined by the draft standard) of the climate-related risks, opportunities and impacts associated with this policy. In determining whether this is the case, entities should consider the needs of primary users of reporting, including but not limited to investors.

In addition, where applicable, public sector entities should report greenhouse gas emissions and climate-related targets applicable to the territories for which they are responsible – whether these are cities, regions or at the national level – and to the labelled debt (e.g. green bonds) they issue.

We recognise that producing this information will require additional processes and resources, as well as coordination between various public sector entities to avoid duplication. However, this information is needed to provide investors with a complete picture of the climate-related risks, opportunities and impacts associated with their sovereign (or sub-sovereign) investments, and how these are likely to evolve in the future.

Specific Matter for Comment 4: Public Sector-Specific Definitions (paragraph 7)

*This Exposure Draft provides public sector-specific definitions and related guidance for: (a) Public policy programs; (b) Public policy program outcomes; and (c) Climate-related public policy programs. **Do you agree with the proposed public sector-specific definitions and guidance? If not, what alternative definitions would you propose and why?***

⁴ The ASCOR project has created an open source and independent investor framework and database to help assess the climate alignment of issuers of government bonds.

The PRI supports these definitions and guidance.

Specific Matter for Comment 5: Strategy for Climate-related Public Policy Programs (paragraphs 12 and AG2.24–AG2.31)

*This Exposure Draft proposes disclosure requirements about an entity's strategy for climate-related public policy programs which include information that enables primary users to understand the entity's strategy and decision-making, anticipated challenges to achieving intended outcomes and financial implications of the climate-related public policy program. **Do you agree that the disclosure requirements on strategy for climate-related public policy programs meet the information needs of primary users? If not, what alternative approach would you propose and why?***

The PRI supports the proposed disclosure requirements on strategy for climate-related public policy programs. This reporting would help investors to assess the quality of implementation of these programs, and their potential implications for the entity over time.

Specific Matter for Comment 6: Metrics and Targets for Climate-related Public Policy Programs (paragraphs 26–27 and AG2.34–AG2.44)

*This Exposure Draft proposes to require disclosures about metrics and targets, including (a) the change in greenhouse gas emissions reasonably attributed to climate-related public policy programs and (b) other metrics to measure and monitor performance in relation to climate-related public policy programs. **Do you agree these disclosures meet the information needs of primary users of the report (see paragraph 26)? If not, what alternative approach would you propose and why?***

The PRI supports this proposal, although similar to reporting on own operations, we recommend that IPSASB consider including the additional metrics within [Annex 1](#) in a list that entities could consider when determining “other metrics” under (b). This would help to ensure relevant reporting to investors.

Specific Matter for Comment 7: Conceptual foundations (paragraphs B2–B15)

*This Exposure Draft includes conceptual foundations aligned with the IPSASB Conceptual Framework including the definition of materiality (see paragraphs B8–B10) and primary users of public sector general purpose financial reports (see paragraphs B.AG28–B.AG33). **Do you agree that the proposed definition of materiality based on the IPSASB Conceptual Framework meets the information needs of primary users for climate-related disclosures? If not, what alternative approach would you propose and why?***

The PRI supports the Standard's proposed definition of materiality as it puts the data needs of primary users (including investors) at the centre of reporting pursuant to the standard. Further, its alignment with that of the IPSASB Conceptual Framework, ISSB Standards and International Accounting Standards Board's (IASB's) Conceptual Framework for Financial Reporting enhances the legitimacy of the standard, and will improve comparability of reporting across investor portfolios.

Specific Matter for Comment 8: General requirements (paragraphs B16–B46)

This Exposure Draft includes general requirements aligned with private sector guidance (IFRS S1) including the requirements for (a) an entity to include its climate-related disclosures in its general purpose financial reports (see paragraphs B22–B25) and (b) an entity to report its climate-related

*disclosures at the same time as its related financial statements (see paragraphs B26–B31). **Do you agree that the disclosure requirements proposed in the general requirements are appropriate for public sector entities? If not, what alternative approach would you propose and why?***

The PRI supports the proposed general requirements. These are well-aligned with equivalent IFRS S1 provisions, which are based on information requirements within IFRS Accounting Standards.

Many characteristics of information that investors require from corporate reporting also apply to public sector reporting. These requirements are needed to bring the quality of reporting pursuant to the standard closer to that of financial reporting, helping to ensure it is decision-useful⁵ for investors.

Specific Matter for Comment 9: Transition (paragraphs 30–33)

*This Exposure Draft proposes to provide transitional relief only in the first year of adoption (see paragraphs 30–33) for disclosures relating to an entity’s own operations and where applicable, relating to climate-related public policy programs and their outcomes. **Do you agree that the proposed transition provisions approach should be applicable to both own operations and climate-related public policy programs? If not, what alternative approach would you propose and why?***

The PRI supports this proposal.

Same time reporting of climate disclosures and the financial statements to which they relate, as well as disclosing Scope 3 greenhouse gas emissions, can be relatively challenging for reporting entities.

To accommodate for this, PRI favours the proposed one-year phase-in of these requirements as opposed to their removal, given their importance to investors:

- Providing sustainability information at the same time as the financial statements helps to ensure connectivity in the data that is reported, thereby improving the relevance of this data for investors.
- Scope 3 emissions are the most impactful kind of emissions for some entities, and are likely to vary across public sector entities and public policy programmes. Leaving them out can mean that a large share of emissions is not reported by entities, even if material.

Similarly, we support the proposed one-year exemptions from disclosing comparative information, as well as the change in greenhouse gas emissions attributable to climate-related public policy programs that were in place on the date of adoption of the standard.

Alongside relief provisions, IPSASB should consider the impact of these proposals in terms of public sector capacity, identify priority areas in each pillar and undertake targeted capacity building to ensure effective implementation of the Standard by preparers, particularly by public sector entities less experienced with sustainability reporting. This will help to ensure investor access to high-quality reporting by public sector entities. The PRI stands ready to support these efforts.

⁵ As set out in the PRI’s [Investor Data Needs framework](#), to be decision-useful, sustainability information must be available, accessible, verifiable, comparable across multiple dimensions, a faithful representation and relevant to investors. While the framework focuses on corporate reporting, it is understood that this is agnostic of asset classes, meaning that investors also value these characteristics in public sector reporting.

Specific Matter for Comment 10: Other Comments

Do you have any other comments on the proposed Exposure Draft?

No, the PRI does not have any further comments.

ANNEX 1 – ADDITIONAL CLIMATE METRICS FOR PUBLIC SECTOR REPORTING

The PRI is grateful to investors within its [Collaborative Sovereign Engagement on Climate Change](#) for sharing input on useful metrics within sovereign climate risk disclosure.

Entities should consider the below metrics for reporting, alongside [indicators within the ASCOR framework](#) which allow for a transparent assessment of the progress made by countries in managing the low-carbon transition and the impacts of climate change.

Table 1: Potential sovereign climate risk disclosure metrics ordered by preference of the Collaborative Sovereign Engagement on Climate Change survey respondents.

Category	Metric
Budget & Spending	Percentage of total budget allocated to climate and nature negative activities
Budget & Spending	Percentage of total budget allocated to climate and nature positive activities
Budget & Spending	Actual and planned budget for climate and nature negative activities
Budget & Spending	Actual and planned budget for climate and nature positive activities
Budget & Spending	Taxes, subsidies and direct expenditure related to climate and nature positive activities
Budget & Spending	Taxes, subsidies and direct expenditure related in sectors such as energy, agriculture, forestry, fisheries and waste sectors
CO2 emissions	Total CO2 emissions
CO2 emissions	CO2 emissions per unit of GDP
CO2 emissions	CO2 emissions per sector
CO2 emissions	Total CO2 emissions of imports
Water	Water stress
Budget & Spending	Funding programs for nature and climate positive activities
Budget & Spending	Budgets for units in ministries, departments, and agencies dedicated to coordinating responses
CO2 emissions	CO2 emissions per capita
CO2 emissions	Growth rate of CO2 emissions
CO2 emissions	CO2 emissions reductions against base year
Land use	Land use changes
Land use	Arable and animal agriculture, forestry and fishing land use, including their contribution to GDP
CO2 emissions	Percentage of emissions targets that will be met using credits
Land use	Percentage of forested land as recommended coverage
Land use	Percentage of terrestrial and marine areas as protected
Water	Total supply of freshwater
Water	Renewable internal freshwater sources