Technical Note

Sustainability Reporting: Implications for Public Sector and the Next Steps

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ACRONYMS AND ABBREVIATIONS

CEFA	Climate Economic and Fiscal Assessment
CF	Conceptual Framework
CSRD	Corporate Sustainability Reporting Directive
ED	Exposure Draft
DGI	G20 Data Gaps Initiative
EFRAG	European Financial Reporting Advisory Group
ERB	External Reporting Board of New Zealand
ESRS	European Sustainability Reporting Standards
EU	European Union
FinCoP	PULSAR Financial Reporting Community of Practice
GCP	GHG Protocol for Community-Scale Greenhouse Gas Emissions Inventories
GFS	Governmental Finance Statistics
GGC	Greening Government Commitment
GHG	Greenhouse Gas
GPFR	General Purpose Financial Reports
GPFS	General Purpose Financial Statements
GRI	Global Reporting Initiative
IAASB	International Auditing and Assurance Standards Board
ICMA	International Capital Market Association
IES	International Education Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INTOSAI	International Organization on Supreme Audit Institutions
IPD	Initial Professional Development
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards on Auditing
ISAE	International Standard on Assurance Engagements
ISSA	International Standard on Sustainability Assurance
ISSAI	International Standards of Supreme Audit Institutions
ISSB	International Sustainability Standards Board
IT	Information Technology
KIPF	Korean Institute of Public Finance
NGO	Non-Governmental Organizations
OECD	Organization for Economic Cooperation and Development
PULSAR	World Bank Public Sector Accounting and Reporting Program
RPG	Recommended Practice Guidance
SDG	Sustainable Development Goal
SOE	State Owned Enterprise
SRG	Sustainability Reporting Guidance
SRP	Sustainability Reporting Project
SRS	Sustainability Reporting Standards
SSBF	Sovereign Sustainable Bond Framework
SSFC	Sovereign Sustainable Finance Committee
TCFD	Task Force on Climate-Related Financial Disclosures
UK	United Kingdom
UN	United Nations
WGA	Whole of Government Accounts
ZHAW	Zurich University of Applied Sciences

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PREFACE

The Korea Institute of Public Finance (KIPF) is a research institute established to conduct in-depth studies and provide policy recommendations on public finance within the Republic of Korea. Aligned with the Ministry of Economy and Finance, KIPF operates as a collaborative entity entrusted with the critical task of evaluating and analyzing diverse fiscal policies, tax systems, and government expenditure strategies. Through rigorous research and analysis, KIPF endeavors to foster effective and sustainable fiscal management practices that contribute to the overall economic welfare of the nation.

The Government Accounting and Finance Statistics Center at KIPF is a specialized division dedicated to collecting, analyzing, and disseminating comprehensive data and statistics related to the Korean government's accounting and finance information and conducting research promoting the use of accrual accounting in the public sector. It operates under the auspices of KIPF and plays a vital role in providing accurate and reliable fiscal information to support evidence-based policymaking and managerial decision-making processes.

The PULSAR program, launched in 2017, is a regional and country-level program for 13 beneficiary countries in Europe and Central Asia region.[1] Its objective is to support the enhancement of public sector accounting and financial reporting frameworks, in line with international standards and in accordance with good practices, to improve government accountability, transparency, and performance.

The objectives and scope of the PULSAR program are jointly determined by the PULSAR partners – Austria, Switzerland, and the World Bank – who also provide institutional support for its implementation and mobilize the resources needed for its activities. Beneficiary countries help shape the PULSAR program through regional cooperation platforms and inputs to the two communities of practice, on education and on financial reporting.

The PULSAR Financial Reporting Community of Practice (FinCoP) aims to support government officials in managing public sector accounting reforms through gap analysis, developing reform strategies and roadmaps, and implementing improvements in areas including legislation, standard setting, regulation and enforcement, and information technology. The FinCoP also seeks to improve the links between financial, management, statistical, performance, and budget reporting, and develop good practices and knowledge products to respond to challenges identified by practitioners in strengthening public sector accounting frameworks.

KIPF and PULSAR are collaborating on preparation of knowledge products to inform ongoing debates on the application of sustainability reporting in the public sector. The first knowledge product was *Characteristics of Public Sector Entities and the Reporting Entity for Sustainability Reporting* (World Bank & KIPF, 2024). This second knowledge product is aimed primarily at policymakers and standard setters for the public sector as they evaluate how to proceed with implementation of sustainability reporting practices. It highlights that progress in public sector sustainability reporting is lagging behind experience in and standards for the private sector. The International Public

1 PULSAR beneficiary countries for the first phase of the Program are: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kosovo, Moldova, Montenegro, North Macedonia, Serbia, and Ukraine.

Sector Accounting Standards Board first addressed the issue in 2020 and launched the standard setting process in 2023. Some jurisdictions have introduced their own sustainability reporting initiatives; however, these have diverse outcomes, even in jurisdictions which otherwise apply very similar accounting frameworks.

The primary audience for this knowledge product is PULSAR representatives from beneficiary countries. The secondary audience is public sector practitioners and accountants interested in the implementation of sustainability reporting in the public sector. Although regulation and standard setting in the area are in their infancy, there is growing demand from investors in the sovereign debt market and citizens for sustainability related public sector information. Given this demand, preparers of general-purpose financial reporting may need to initiate first steps in this area before regulation and standard setting is finalized. This knowledge product seeks to lay out the direction of travel so that those guiding such initiatives within their jurisdiction are aware of, and can align with, the likely outcome of deliberations on international standards.

EXECUTIVE SUMMARY

The 2022 World Bank report on *Sovereign Climate and Nature Reporting* highlights the importance of the public sector in delivering emissions reductions and adapting to the impacts of climate change, while also identifying a significant information gap that hinders efforts to drive capital toward sustainable investments and away from environmentally harmful ones. This is a key area of increasing interest for the global public sector accounting community. There is a growing need and demand for sustainability information to be provided by public sector entities as part of their general purpose financial reports (GPFR).

This knowledge product therefore considers common implications associated with implementation of sustainability reporting in the public sector. It provides analysis of latest developments in sustainability reporting frameworks, including international assurance and education standards, and overview of the experiences of four selected countries across the globe that have designed and implemented their own national instruments that could be considered different forms of sustainability reporting in the public sector. The knowledge product also identifies a series of implications and considerations associated with implementation of sustainability reporting in the public sector and provides some preliminary recommendations to address these. In this context, the aim of this knowledge product is to support international and national standard setters and regulators in their approach to implementing public sector sustainability reporting and to update practitioners on the trends in this area.

In the absence of any international standards for sustainability-related information in public sector GPFR, the International Public Sector Accounting Standards Board (IPSASB) has developed a framework for public sector sustainability reporting. Following a consultation, it has published an Exposure Draft (ED) for its first public sector Sustainability Reporting Standard (SRS), titled International Public Sector Accounting Standards (IPSAS) SRS ED 1: *Climate-related Disclosures*. The ED represents an advanced standard-setting effort, developed specifically for preparing and presenting sustainability information in the public sector.

IPSAS SRS ED 1 aims to provide principles for a public sector entity to disclose information as part of GPFR about climate-related risks and opportunities to its operations and outcomes of its climate-related public policy programs when it is responsible for those programs and their results. The policy and regulatory role of public sector entities is a key characteristic that, according to the IPSASB, requires public sector-specific disclosures in addition to the requirements of the two International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards, issued by the International Sustainability Standards Board (ISSB), S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and S2 *Climate Related Disclosures*.

The disclosure requirements for public sector entities under IPSAS SRS ED 1 are based on four pillars (like IFRS S1 and S2): governance, strategy, risk and outcome management, and metrics and targets. Regarding metrics and targets for an entity's own operations, the ED refers to the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard 2004* as a rebuttable presumption to measure greenhouse gas (GHG) emissions. For metrics and targets on climate-related public policy programs, entities have the flexibility to select and disclose their own methodologies based on a high-level principle-based approach, as long as they provide sufficient information for primary users to understand the chosen methodology. For these public policy programs, the ED suggests using the *Greenhouse Gas Protocol Policy and Action Standard (2014)* as guidance.

The importance of reliability and external scrutiny of sustainability reporting means there is an increased focus also on assurance and education related to sustainability, with potential implications for public sector sustainability practices. The new International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board (IAASB), serves as a comprehensive, stand-alone standard applicable to any sustainability assurance engagement and will also impact assurance regulation in the public sector. It will apply to sustainability information prepared under multiple frameworks. Regarding education, the International Federation of Accountants (IFAC) has consulted on the competencies required both for the preparer and the auditor to perform sustainability-related services and as a result has revised three International Education Standards (IES): 2–*Technical Competence*, 3–*Professional Skills*, and 4–*Professional Values, Ethics, & Attitudes*.

While these international frameworks continue to be developed, several countries have responded to local demand for improved sustainability reporting in their public sectors with the introduction of a range of strategies and initiatives. This knowledge product outlines the approaches taken in Brazil, New Zealand, Switzerland, and the United Kingdom (UK). These countries have implemented different instruments at the national level that they consider to be sustainability reporting, either as part of their financial statements or as standalone reports. The approaches vary substantially in structure, maturity, and rationale, further highlighting the current lack of standardization. Brazil and New Zealand have adopted IPSAS and are awaiting the approval of IPSAS SRS ED 1 to issue their own sustainability reporting standards. Switzerland has also adopted IPSAS but lacks a legal basis to adopt international sustainability reporting standards for the public sector, although it continues to monitor latest developments. Finally, the UK has not adopted IPSAS but is also closely following the IPSASB's work.

The findings of this knowledge product suggest that successful implementation of such standards requires a well-structured approach that takes into consideration the proposed recommendations, grouped into three broad dimensions according to their implementation sequence: reform preparation, transition, and utilization phases. The preparation phase encompasses the strategic activities required to make the decision on the adoption of sustainability reporting in the public sector. The transition phase involves the operational activities needed to implement the sustainability reporting requirements. The utilization phase refers to the ongoing process of producing, publishing, and using sustainability reporting in accordance with the established requirements.

As part of the preparation phase, a comprehensive review of the IPSAS SRS and analysis of its implications is recommended. This phase should also assess existing sustainability-related regulations, identify competent institutions to drive regulatory changes, conduct a stakeholder's assessment and involve key stakeholders, establish governance arrangements, define an adoption method, select relevant pilot entities, guarantee a balanced approach to implement IPSAS and IPSAS SRS, and outline milestones and timelines. Furthermore, it is crucial to secure government commitment through an official decision to initiate the adoption of sustainability reporting in the public sector.

As part of transition activities, this knowledge product recommends building a robust regulatory framework, ensuring the availability and collection of good quality data, reinforcing commitment from key stakeholders, integrating sustainability reporting requirements with the General Purpose Financial Statements (GPFS) and embedding them within relevant information technology (IT) systems, defining accountability mechanisms, ensuring assurance mechanisms, managing change, building capacity, monitoring processes, and establishing communication channels.

Finally, as part of the utilization phase, this knowledge product underscores the full operationalization of sustainability reporting across public sector entities. This phase calls for continuous improvement through feedback mechanisms, ongoing monitoring of international and national developments, and iterative enhancements in reporting quality and relevance. It also recommends scaling up from pilot applications through structured planning and ensuring that sustainability information is actively used in budgeting, strategic planning, and service delivery, thereby reinforcing the value of transparent and decision-relevant reporting. The list of recommendations is presented below:

Table 1. Recommendations for the implementation of sustainability standards

	Recommendations
Preparation phase	1. Review IPSAS SRS and other relevant literature, and analyze its implications 2. Assess existing sustainability-related regulations 3. Identify competent institutions to drive regulatory changes 4. Conduct a stakeholder assessment and involve key stakeholders 5. Establish governance arrangements 6. Define an adoption method 7. Select relevant pilot entities 8. Guarantee a balanced approach to implement IPSAS and IPSAS SRS 9. Outline milestones and a timeline of the reform 10. Ensure government commitment thought a decision to initiate the adoption of sustainability reporting

	Recommendations
Transition phase	1. Build a robust regulatory framework 2. Ensure availability and collection of good quality data 3. Reinforce commitment from key stakeholders 4. Integrate sustainability reporting with GPFS 5. Integrate sustainability reporting with IT systems 6. Define accountability and assurance mechanisms 7. Roll out pilot implementation in selected entities 8. Manage change and build capacity 9. Establish communication channels 10. Secure effective monitoring and evaluation processes
Utilization phase	1. Continue improving and evaluating the reform process 2. Scale up from pilot applications 3. Use reporting outcomes in decision-making

Source: Authors

CHAPTER

1 BACKGROUND

1. Governments and public entities play a crucial role in leading actions on climate change and environmental, social, and governance topics. Stakeholders are increasingly interested in monitoring the contribution of the public sector in addressing the global climate change emergency and progress towards the objectives of the Paris Agreement and the United Nations (UN) Sustainable Development Goals (SDGs). Consequently, there is growing demand for public sector entities to provide sustainability information, especially as part of their GPFR. However, there is not yet an internationally recognized framework for the public sector to prepare and disclose sustainability related public financial reports.

2. In 2022, the World Bank published the report *Sovereign Climate and Nature Reporting* (World Bank, 2022). The report highlights the importance of the public sector both in terms of its emissions and impact on climate, as well as its activities on the global capital market, notably by issuing sovereign bonds or taking up loans. It is concluded that the absence of sustainability related information in public sector financial reports is a cause of concern and the development of international standards in this area would contribute to addressing this concern. The IPSASB, the only public sector accounting and financial reporting standard setter with global reach, was asked to develop a framework for public sector sustainability reporting.

3. In response, the IPSASB published a consultation paper titled *Advancing Public Sector Sustainability Reporting* in May 2022. The objective was to evaluate the demand from stakeholders for sustainability reporting guidance, assess the level of support for the IPSASB's involvement in the process, identify priority areas for guidance, and determine how this could be approached. According to the IPSASB, there was support for the proposals, including the need for public sector specific sustainability reporting standards, prioritizing climate-related disclosures. Respondents supported using private sector guidance as a reference, to the extent appropriate.

4. Consequently, the IPSASB has developed IPSAS SRS ED 1: *Climate-related Disclosures*, reflecting the consultation and feedback, which is specifically developed for preparing and presenting sustainability information in the public sector.

5. The application of IPSAS SRS 1 aims to strengthen governance, enhance accountability, and support informed decision-making. Governments and public sector entities will be better equipped to identify climate-related risks and opportunities, contributing to a deeper understanding of the potential impacts of climate change on public finances and service delivery. In addition, sustainability reporting enables systematic measurement and monitoring of climate-related policies and programs, allowing governments and public sector entities to assess progress towards environmental objectives and adjust their actions as needed. Lastly, it supports the effective management of climate-related concerns at the entity level by embedding environmental considerations into planning, operations, and performance evaluation.

6. In response to demand, and in the absence of an international framework, some countries across the globe have designed their own strategies and initiatives at the national level, including

implementing preliminary instruments that they consider to be sustainability reporting, either as part of their financial statements or in separate financial reports. The differences in approach, maturity, and rationale clearly show that the lack of standardization makes comparability difficult. These national experiences also offer some valuable preliminary insights that can assist in the development and implementation of future standards on sustainability reporting, such as the IPSAS SRSs.

7. Sustainability reporting is a key topic for PULSAR FinCoP. PULSAR and KIPF jointly issued the first of a series of knowledge products in 2024 titled *Characteristics of Public Sector Entities and the Reporting Entity for Sustainability Reporting* (World Bank & KIPF, 2024). This second knowledge product aims to review the latest developments in sustainability reporting frameworks and examines some international experiences of countries in implementing instruments they consider to be sustainability reporting in the public sector.

8. The next chapter presents the latest developments in sustainability reporting related frameworks. The third chapter describes the efforts of four governments to introduce sustainability reporting in the public sector. The fourth chapter contrasts these early experiences with the recent developments in sustainability standard setting and proposes preliminary recommendations for sustainability reporting within the public sector. The last chapter presents conclusions.

CHAPTER

2 LATEST DEVELOPMENTS IN SUSTAINABILITY REPORTING RELATED FRAMEWORKS

9. This chapter describes the recent developments in public sector accounting standards, notably IPSAS SRS ED 1, as well as the current status and trends in related areas such as assurance, education, and other regulatory initiatives with potential implications for public sector sustainability practices.

10. Sustainability reporting in the public sector draws on progress in this area by the private sector. The IPSASB decided that the new standard should align with established global private sector frameworks, primarily the Taskforce for Climate-related Disclosures (TCFD) and IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate Related Disclosures*, while integrating the multi-stakeholder focus of the Global Reporting Initiative (GRI). This approach, combined with feedback from the consultation paper and the IPSAS Conceptual Framework (CF), aims to create a comprehensive standard considering public sector context.

11. Future private sector updates or proposals on issues related to sustainability are likely to further influence sustainability practices within the public sector. The IAASB, for example, has recently published a stand-alone standard on sustainability assurance engagements (ISSA 5000) that is applicable to sustainability information reported across all frameworks. Similarly, the IFAC has revised its IESs to address the competencies and learning outcomes required in areas of sustainability. The latest regulatory developments illustrate the areas of growing consensus and shed light on the challenges that the public sector is likely to face in sustainability reporting.

2.1. Public Sector Accounting Standards Related to Sustainability Information

12. In little more than one year, between June 2023 and September 2024, the IPSASB developed an ED for its first standard related to public sector sustainability reporting. IPSAS SRS ED 1: *Climate-related Disclosures* was approved at the September 2024 IPSASB meeting in Brussels and was subject to a four-month consultation period from the date of its publication.

13. IPSAS SRS ED 1 presents principles for a public sector entity to disclose information about climate-related risks and opportunities to its own operations and outcomes of its climate-related public policy programs. In particular, the ED requires disclosure of material information about: (i) climate-related risks (physical risks and transition risks)[2] and opportunities that could reasonably be expected to affect the long-term fiscal sustainability of the public sector entity (its ability to

2 Climate-related physical risks are risks resulting from climate change that can be driven (acute physical risk) or from longer-term shifts in climate patterns (chronic physical risk). Climate-related transition risks are risks that arise from efforts to transition to a lower-carbon economy (IPSASB SRS ED 1, p. 7).

meet service delivery and financial commitments, both now and in the future); and (ii) where a public sector entity has responsibility for outcomes of a climate-related public policy program, the outcomes that could reasonably be attributed to it.

14. Disclosures about climate-related risks and opportunities in the public sector's own operations are applicable to all public sector entities across all levels of government, including central, regional, and local levels, as well as institutions like schools and hospitals. Disclosures regarding outcomes of climate-related public policy programs are required only from entities responsible for those programs and their outcomes. **Table 2** summarizes the objectives and applicability of IPSAS SRS ED 1.

Table 2. Objectives and applicability of IPSAS SRS ED 1

Objectives	Applicability
Objective 1: Provide principles to disclose information about climate-related *risks and opportunities* that could affect entity activities.	All public sector entities across all levels of government, including central, regional, and local levels.
Objective 2: Provide principles to disclose information about *outcomes* of climate-related public policy programs.	Required only from entities responsible for climate-related public policy programs and their outcomes.

Source: Authors based on IPSAS SRS ED 1

15. The IPSASB decided that alignment with IFRS S1 and IFRS S2 would meet the core information needs on climate-related risks and opportunities in the public sector's own operations, with some adaptations as needed. However, the policy and regulatory role of public sector entities is a key characteristic that, according to the IPSASB, requires additional public sector-specific disclosures. This is addressed through the disclosures about climate-related public policy programs and their outcomes.

16. The increase in scope, as compared to IFRS S1 and S2, addresses the debate on materiality. At the time of developing the ED, discussions took place in relation to "single" or "financial" materiality vis-à-vis "double" or "financial and impact" materiality. "Single" or "financial" materiality refers to the materiality of climate-related risks and opportunities to the entity's operations, while "double" or "financial and impact" materiality also addresses the impact of the entity's operations on the wider society. "Single" or "financial" materiality is often summarized by the phrase "outside in," whereas "double" or "financial and impact" materiality includes both "inside out and outside in."[3] **Table 3** summarizes the main differences between these two types of materiality.

3 The terms "financial materiality" or "impact materiality" are increasingly used, instead of "single" or "double" materiality (Freshfields Bruckhaus Deringer LLP, 2023). This shift occurs because some reports focus on an inside-out perspective, which could arguably be considered a form of single materiality, but it does not align with what proponents of "financial" materiality or "impact" materiality advocate. Nonetheless, in this document, we will continue to use the terms "single" and "double" materiality to refer to "financial materiality" and "financial and impact materiality", respectively.

Table 3. Types of materiality

Perspective	Single materiality	Double materiality
Emphasis	Financially material impacts on the entity	Both the financially material impacts on the entity and the entity´s impacts on the environment
Another name	Financial materiality	Financial and impact materiality
Direction	Outside in	Outside in and inside out
Audience	Investors and financial stakeholders	Investors, regulators, civil society, broader stakeholder groups.
Reporting standards	ISSB, TCFD	European Commission, EFRAG, GRI

Source: Authors

17. Proponents of single materiality, such as the ISSB, argue that the focus in the context of GPFR should be on the effect on the entity's finances or the entity's value in the private sector. Meanwhile, the proponents of double materiality, such as the European Union (EU) and the European Financial Reporting Advisory Group (EFRAG,[4] argue that the impact on the entire entity and its environment needs to be analyzed and presented, even if it might not have immediate effects on the entity's finances. In the long run, it is also generally acknowledged that inside-out effects will bounce back and adversely affect financial performance. This effect is often referred to as a "rebound" or "boomerang" effect (Giner & Luque-Vílchez, 2022).

18. The academic debate, which initially strongly advocated "double" materiality, has taken a more nuanced position following up on an article by Abhayawansa (2022). In the short to medium term, "single" materiality - which is already quite demanding - might be more achievable. While "double" materiality is undoubtedly a more comprehensive concept, it is also more difficult to prepare high-quality information. For instance, the official number of 647 datapoints, which are subject to materiality analysis under the European Sustainability Reporting Standards (ESRS) (EFRAG, 2023), may become a limiting factor for proponents of "double" materiality.

19. In this discussion, the IPSASB decided that the approach to determine materiality should mirror the approach used in the financial statements and the IPSAS-CF, which ultimately is the concept of "single" materiality. In practice, however, the ED expands beyond strict "single" materiality, as it includes the outcomes of climate-related public policy programs, which represent at least some part of "double" materiality, in the sense that public policy program outcomes may also have some impact in the wider society. There is controversy about the inclusion of both within one standard, even when all IPSASB members agree that public sector entities may achieve some climate-related outcomes beyond their operational or institutional borders.

20. As with IFRS S1 and S2, disclosure requirements for public sector entities under IPSAS SRS ED 1 are based on four pillars: governance, strategy, risk and outcome management, and metrics and targets. Disclosures on governance help to understand the governance processes, controls, and procedures to monitor, manage, and oversee climate-related issues. Disclosures on strategy enable understanding of an entity's strategy for managing climate-related risks and opportunities.

4 https://www.efrag.org/en/about-us

Disclosures on risk and outcome management show an entity's processes to identify, assess, prioritize, and monitor climate-related issues, including whether those processes are integrated into and inform the entity's overall risk management process. Disclosures on metrics and targets reveal an entity's performance on climate-related issues, including progress towards any climate-related targets. **Table 4** shows the main pillar requirements for each objective of the ED.

Table 4. Disclosure requirements

Objective 1: Climate-related risks and opportunities to own operations	Objective 2: Outcomes of climate-related public policy programs
Governance	
■ The governing body(s) or individual(s) responsible for oversight of *climate-related risks and opportunities*. ■ Management's role in the governance processes, control, and procedures used to monitor, manage, and oversee *climate-related risks and opportunities*.	■ The governing body(s) or individual(s) responsible for oversight of *climate-related public policy programs and their outcomes.* ■ Management's role in the governance processes, control, and procedures used to monitor, manage, and oversee *climate-related public policy programs and their outcomes.*
Strategy	
■ Strategy for managing *climate-related risks and opportunities.* ■ *Climate-related risks and opportunities* that could affect own operations. ■ Effects of *climate-related risks and opportunities* on the operational model and value channel of the entity, including financial effects. ■ Effects of *climate-related risks and opportunities* on strategy and decision making, including information about its climate-related transition plan.[5] ■ Climate resilience of the strategy and operational model to climate-related changes, developments, and uncertainties.	■ Strategy and decision-making in relation to *climate-related public policy programs.* ■ Challenges to achieving the intended *outcomes of climate-related public policy programs*. ■ Financial implications of *climate-related public policy programs.*
Risk and outcome management	
■ Processes and related risk management policies to identify, assess, prioritize, and monitor *climate-related risks and opportunities*.	■ Processes and related internal policies to identify, assess, prioritize, and monitor the anticipated and unanticipated challenges to achieve the intended outcomes of the *climate-related public policy program.*

5 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 GHG emissions (IPSAS SRS ED 1, p. 7).

<table>
<tr><th>Objective 1: Climate-related risks and opportunities to own operations</th><th>Objective 2: Outcomes of climate-related public policy programs</th></tr>
<tr><th colspan="2">Metrics and targets</th></tr>
<tr><td>An entity must disclose metrics in the following categories:
■ GHG Emissions: absolute gross GHG emissions, classified as Scope 1, 2 and 3, as well as the measurement approach. There is a rebuttable presumption to use the metrics of the GHG Protocol: A Corporate Accounting and Reporting Standard (2004).
■ Climate-related risks and opportunities: amount and percentage of operations or assets exposed to transition risks and physical risks, as well as those aligned with climate-related opportunities.
■ Internal carbon pricing: whether and how a carbon price is used in decision-making, the explanation of how the price is determined, and the price per metric ton used to assess GHG costs.
■ Climate-related remuneration: Amount linked to climate considerations and how this amount is determined.</td><td>An entity responsible for the outcomes of a climate-related public policy program must disclose metrics in the following categories:
■ GHG Emissions: The change in GHG emissions that is reasonably attributable to the program, as well as the approach, inputs, and assumptions used to measure that change.
■ Additional metrics the entity uses to measure and monitor the performance of the program, as well as the approach, inputs and assumptions used to measure these metrics.</td></tr>
<tr><td>An entity must disclosure climate-related targets that support its strategic goals and comply with legal or regulatory requirements. For each target, the entity must disclose:
■ The metric used to set the target, objective, scope, target period and base period, any milestone or interim targets, whether the target is absolute or intensity-based, and how the target is informed by the latest international climate agreements and related jurisdictions commitments.
■ The approach to setting and reviewing each target, and how it monitors progress against each target.
■ Performance against each target and an analysis of its trends or changes.

Additionally, for each GHG target, the entity must disclose:
■ Which GHG are covered; whether the target includes Scope 1, 2 or 3 emissions; whether the target is for gross or net emissions; whether the target uses a sectoral decarbonization approach; and the planned use of carbon credits.</td><td>An entity must disclosure targets to monitor progress towards achieving intended outcomes of the climate-related public policy program, including targets made under the latest international agreements on climate change or other jurisdictional commitments. For each target, the entity must disclose:
■ The metric used to set the target, objective, scope, target period and base period, any milestone or interim targets, whether the target is absolute or intensity-based, and how the target is informed by the latest international climate agreements and related jurisdictions commitments.
■ The approach to setting and reviewing each target, and how it monitors progress against each target.
■ Performance against each target and an analysis of its trends or changes.</td></tr>
</table>

Source: Authors based on IPSAS SRS ED 1

21. IPSAS SRS ED 1 does not establish its standards for measurement of own metrics and targets for reporting GHG emissions. In the case of metrics for an entity's own operations, the ED refers to the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard 2004* (GHG Protocol 2004) as a rebuttable presumption (paragraph AG1.72) to measure GHG emissions.[6] This approach aims to promote standardized methodologies and to facilitate comparability between entities. However, the ED allows the use of national or subnational reporting where this meets the needs of the primary users, potentially reducing reporting burdens. Metrics are entity level metrics, which do not necessarily correspond to the national statistics used for the reporting in accordance with the Paris Agreement.

22. The GHG Protocol Initiative is a multi-stakeholder partnership involving business, governments, and non-governmental organizations (NGOs), convened by the World Resources Institute, an environmental NGO, and the World Business Council for Sustainable Development, a coalition of 170 international companies. The Initiative serves as an umbrella organization that develops various standards, guidelines, tools, and training materials. One key product of this initiative is the *GHG Protocol (2004)*,[7] which provides a step-by-step guide for companies and other organizations to use in quantifying and reporting their GHG emissions. This standard covers the six GHGs identified in the Tokyo Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride.

23. The metrics based on the *GHG Protocol (2004)* align with those of entities reporting in accordance with IFRS S2, for instance state owned enterprises (SOE). However, these metrics are not necessarily the same as those found in the *GHG Protocol for Community-Scale Greenhouse Gas Emissions Inventories* (GCP), which is mainly used by cities to report their GHG emissions inventory. The GCP adopts GHG Protocol principles but applies them to community-scale (geographically defined) emissions rather than organizational boundaries. *GHG Protocol (2004)* also differs from the Intergovernmental Panel on Climate Change *Guidelines for National Greenhouse Gas Inventories*, used to help countries fulfil their commitments under the UN Framework Convention on Climate Change. The metrics based on the *GHG Protocol (2004)* are, in most cases, less demanding than the more numerous metrics required by the EU *Corporate Sustainability Reporting Directive* (CSRD) and the ESRS.

24. The IPSASB has chosen to align the definitions of the Scopes 1, 2, and 3 with those of the *GHG Protocol (2004)* for entities' own operations to ensure consistency and clarity in both reporting and interpretation. **Table 5** contains the definitions and some examples of these scopes according to IPSAS SRS ED 1.

Table 5. Definitions and examples of GHG emissions scopes

	Definition	Examples
Scope 1	Direct GHG emissions that occur from sources that are owned or controlled by an entity.	■ Emissions from combustion in owned or controlled boilers, furnaces, vehicles. ■ Emissions from chemical production in owned or controlled process equipment.

6 Entities that decide to use methodologies in line with the *GHG Protocol (2004)* might find it useful to refer to the *GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)* for additional guidance and examples.

7 The GHG Protocol Initiative comprises two separate but linked standards: i) the *GHG Protocol Corporate Accounting and Reporting Standards*, and ii) the *GHG Protocol Project Quantification Standard*. For more information, visit: https://ghgprotocol.org.

	Definition	Examples
Scope 2	Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by an entity. The emissions physically occur at the facility where electricity is generated.	■ Purchased and acquired electricity for own use.
Scope 3	Indirect GHG emissions (not included in Scope 2 GHG emissions) that occur in the value chain of an entity, including both upstream and downstream emissions.	■ Extraction and production of purchased materials. ■ Transportation of purchased fuels. ■ Use of sold products and services. ■ Employee business travel.

Source: Authors based on IPSAS SRS ED 1

25. The ED requires mandatory disclosure of Scope 1, 2, and 3 emissions. The GHG Protocol (2004) recognizes two approaches for calculating Scope 2 emissions: a location-based approach and a market-based approach. The ED requires only the location-based, along with disclosures on any contractual instruments that the entity has entered into. The IPSASB also recognizes the complexities surrounding Scope 3 emissions and the cost-effectiveness considerations they entail. According to the ED, the disclosure of Scope 3 emissions and categories is subject to materiality considerations; therefore, it is not required to measure and disclose all dimensions of Scope 3 emissions. The disclosure for all three scopes refers to the equivalent carbon dioxide emissions.

26. Scopes 1, 2, and 3 should not be confused with the distinction between own operations and climate-related public policy programs. Own operations directly cause Scope 1 emissions and indirectly cause Scope 2 and 3 emissions - through the consumption of purchased electricity, heat, cooling, and steam consumption (Scope 2), and through upstream or downstream activities of the value chain (Scope 3).

27. In the case of metrics and targets on climate-related public policy programs, the IPSASB recognized that the *GHG Protocol Policy and Action Standard (2014)* offers relevant guidance for reporting on such programs.[8] This standard helped shape the principles-based approach proposed in the ED for reporting GHG emissions reasonably attributable to climate-related public policy programs. Under this approach, entities have the flexibility to select and disclose their own methodologies based on a high-level principles-based approach. Entities are also required to disclose the necessary information for primary users to understand the chosen methodology. For instance, New Zealand has established its own methodology for estimating GHG outcomes, based on the country's Climate Implications of Policy Assessment. Meanwhile, other governments may prefer to follow guidance directly from the *Greenhouse Gas Protocol Policy and Action Standard (2014)*.

8 The IPSASB also noted that the *GHG Protocol (2004)* and the *GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)* do not provide guidance for reporting on public policy programs (paragraph BC83).

28. As a general requirement, climate-related disclosures fall within the scope of GPFR but are not considered GPFS. GPFR are financial reports intended to meet the information needs of users who are unable to require the presentation of financial reports tailored to their specific information needs. GPFR provide financial and non-financial information about the reporting entity, encompassing both the GPFS and climate-related disclosures. Therefore, while the IPSASB has proposed issuing the IPSAS SRS as separate from both IPSAS and Recommended Practice Guidelines (RPG),[9] the ED remains part of broader financial reporting. Table 6 highlights some key differences between GPFR and GPFS.

Table 6. General purpose financial reports and general purpose financial statements

	General Purpose Financial Reports (GPFR)	General Purpose Financial Statements (GPFS)
Scope	Financial and non-financial information	Primarily financial information
Content	Includes GPFS plus non-financial reports (e.g., sustainability reporting, performance reports, etc.)	Statement of Financial Position, Statement of Financial Performance, Cash Flow Statement, Statement of Changes in Net Assets/Equity, and Notes to the Financial Statements.
Purpose	To provide a comprehensive view of the entity's performance, including financial, social, and environmental aspects.	To provide an entity's financial performance and position.

Source: Authors based on IPSAS and IPSAS SRS

29. Since climate-related disclosures fall outside the scope of GPFS, it is important to identify the specific GPFS to which these disclosures relate. Entities are expected to establish explicit connections between climate-related disclosures and other GPFR, including GPFS. These connections may be included within the disclosures provided by the entity (such as connections between disclosures on governance, strategy, risk management, and metrics and targets, or across the climate-related disclosures and other GPFR) or within the items to which the information relates (such as connections between various climate-related risks and opportunities and, where applicable, climate-related public policy programs). For example, a climate-related public policy program promoting electric public transport may result in capital spending on electric buses (reported as assets) or create liabilities related to public-private partnerships contracts.

30. Climate-related disclosures should be reported at the same time as the related GPFS and shall be for the same reporting entity. It shall also cover the same reporting period as the related GPFS (normally a 12-month period) and comparative information for the preceding period shall be provided for all amounts disclosed in the current reporting period.

9 RPG are pronouncements that provide guidance on good practice in preparing GPFR that are not GPFS. Unlike IPSAS, RPG do not establish requirements. Therefore, they are not IPSAS and are not mandatory.

31. In parallel, since IPSAS SRS ED 1 aligns with IFRS S1 and IFRS S2, both issued by the ISSB, it is important to monitor the ISSB's latest developments. The March 2025 ISSB Update[10] highlights preliminary decisions on research and standard setting, as well as on the application of standards. Regarding research and standard setting, the ISSB is discussing evidence of investor interests in risks and opportunities related to biodiversity, ecosystems, and ecosystem services and examining information that entities might present or disclose in their GPFS related to these topics and human capital. Regarding applying standards, the ISSB is considering proposed amendments to IFRS S2 to address application challenges, specifically by excluding certain GHG emissions from measurement, clarifying jurisdictional relief on global warming potential values and measurement methods, offering more flexibility in the use of the Global Industry Classification Standard, and requiring additional disclosures related to exclusions.

32. Meanwhile, the EU is simplifying the CSRD and has issued a mandate to simplify the ESRS. This simplification is sometimes referred to as the Omnibus Package, which is expected to be adopted by the European Parliament and Council of the EU within the next few months. It mainly aims to simplify the reporting requirements, reduce the scope of entities with mandatory reporting requirements on sustainability, reduce data points, clarify unclear provisions, improve consistency, and provide clearer guidance on applying the materiality principle. However, it is important to note that IPSAS SRS ED 1, as well as IFRS S1 and IFRS S2, are not based on ESRS and will therefore not be directly affected by any changes to the ESRS. Potentially, the simplification might lead to a better alignment between IPSAS SRS ED 1 and IFRS on one side and ESRS on the other, but it is too early for a fact-based assessment.

2.2. Public Sector Assurance Standards Related to Sustainability Information

33. As sustainability reporting has become a matter of global importance, the reliability and external oversight of such reporting have also gained significance. The private sector has taken the lead in introducing or proposing mandatory assurance requirements for sustainability reporting. A similar assurance framework for sustainability information in the public sector is still at an early stage.

34. The IAASB acknowledged the demand for "international standards for assurance on sustainability reporting to reduce the risk of fragmentation in assurance standards globally and drive consistent, high-quality assurance engagements that enhance the degree of confidence of intended users about sustainability reporting" (IAASB, 2023b, para. 4). This demand was recognized even though the International Standard on Assurance Engagements (ISAE) 3000 (Revised) - *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and the ISAE 3410 - *Assurance Engagements on Greenhouse Gas Statements* remain robust and appropriate (IAASB, 2023b).[11]

35. In response, the IAASB developed a new overarching standard for assurance on sustainability reporting, ISSA 5000 - *General Requirements for Sustainability Assurance Engagements*. During the design process the IAASB: (i) identified relevant definitions, requirements, and application material in ISAE 3000 (Revised), ISAE 3410, and the *Non-Authoritative Guidance on Sustainability and Other*

10 https://www.ifrs.org/news-and-events/updates/issb/2025/issb-update-march-2025

11 The ISAE 3000 Revised has been the most widely used standard for sustainability information assurance. The ISAE 3410 and the *Non-Authoritative Guidance on Sustainability and Other Extended External Reporting Assurance Engagements* have also been applied. All were published by the IAASB.

Extended External Reporting Assurance Engagements for ISSA 5000; (ii) identified which International Standards on Auditing (ISA) may have concepts appropriate for an overarching standard for assurance engagements on sustainability information, and which requirements and application material to use from those ISAs; and (iii) developed further material to provide more specificity (IAASB, 2023b).

36. ISSA 5000 was published in November 2024. Practitioners are now expected to apply ISSA 5000 – and not ISAE 3000 (Revised) – when performing engagements on sustainability reporting. ISAE 3000 (Revised) will continue to be used for assurance engagements, other than audits or reviews of historical financial information or assurance engagements on sustainability information. ISAE 3410 will also be used when the practitioner is providing a separate conclusion on a GHG statement (IAASB, 2023c).

37. The design of ISSA 5000 aims to provide a global baseline for sustainability assurance engagements and serve as the foundation for a future suite of ISSAs. It was developed to be principles-based with the flexibility to address all sustainability topics and aspects of topics, all mechanisms for reporting, any suitable criteria, all intended users, limited and reasonable assurance engagements, and use by all assurance practitioners. **Table 7** provides further details on these features.

Table 7. Overarching ISSA 5000 standard providing a global baseline for sustainability assurance

	Scope
All sustainability topics and aspects of topics	Environmental, social, economic, and cultural matters, and the information disclosed about aspects of those such as risk and opportunities, governance, processes, strategy, scenario analysis, etc.
All mechanisms for reporting	From integrated report or the annual report to a stand-alone sustainability report or report on a specific topic.
Any suitable criteria	Global sustainability reporting standards, including ISSB, TCFD, GRI, ESRS or any other sustainability reporting framework or criteria (such as IPSAS SRS).
All intended users	Double materiality: Investors and providers of capital or policymakers, NGOs, and advocacy groups.
Limited and reasonable assurance engagements	Both limited and reasonable assurance engagements.
Use by all assurance practitioners	Both accountant and non-accountant assurance practitioners, subject to the premises in the ED regarding ethical requirements and quality management.

Source: Authors

38. Consequently, ISSA 5000's objectives are: (i) to obtain reasonable or limited assurance about whether the sustainability information is free from material misstatement; (ii) to express a conclusion on the sustainability information through a written report that conveys a reasonable or

limited assurance conclusion and describes the basis for the conclusion; and (iii) to communicate further as required by this ISSA or any other relevant ISSA. According to ISSA 5000, the scope of an assurance engagement on sustainability information may extend to all the sustainability information expected to be reported by the entity or only part of the information (IAASB, 2023a).[12]

39. In contrast to previously issued standards, IAASB expects ISSA 5000 to provide more specificity on topics such as: the difference in work effort between limited and reasonable assurance, including sufficiency of evidence; the scope of the assurance engagement; the suitability of the reporting criteria, including addressing concepts such as "double materiality"; evidence, including the reliability of information and what comprises sufficient appropriate evidence; materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information; and the entity's system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence (IAASB, 2023b).

40. Given that the IPSASB decided that IPSAS SRS ED 1 should align with globally established private sector proposals, ISSA 5000 will influence the oversight regulation of public sector sustainability reporting. ISSA 5000 will apply to sustainability information reported across any sustainability topic and prepared under multiple frameworks including ISSB, GRI, ESRS, or any other sustainability reporting framework or criteria, such as the IPSAS SRS (detailed in the previous section).

41. ISSA 5000 has become a focus for the debate on sustainability reporting assurance in the public sector. While there is no official pronouncement yet, the International Organization on Supreme Audit Institutions (INTOSAI) standard setters are currently discussing the incorporation of the ISSA 5000 as an equivalent International Standard of Supreme Audit Institutions (ISSAI) into the INTOSAI Framework of Professional Pronouncements. In the meantime, supreme audit institutions are encouraged to continue conducting performance audits, using ISSAI, to audit sustainability-related information reported by governments.

2.3. International Education Standards Related to Sustainability Information

42. The IESs aim to improve the quality of professional accounting education worldwide, guiding the training of professional accountants and aspiring professional accountants in the public sector. The IFAC is responsible for maintaining and promoting the IESs, supported by the International Panel on Accounting Education, which has a mandate to monitor and advise the IFAC on developments in accounting education. IESs set out the requirements for entry to professional accounting education programs, initial professional development (IPD) of aspiring professional accountants, and continuing professional development of professional accountants (IFAC, 2019). Implementation support materials are available, for example, to identify key concepts and accounting information needs, which are core to understanding the public sector role, as well as to explain how the competence areas of IESs can be adapted for the curricula of public sector accountancy programs.

43. The expanded role on sustainability for accountants has created new challenges for the learning and development process for aspiring and practicing accountants and accounting professionals.

12 Sustainability information is information about sustainability matters. Sustainability matters are environmental, social, economic, and cultural matters, including the impacts of an entity's activities, products, and services on the environment, society, economy, or culture, or the impacts on the entity, and the entity's policies, performance, plans, goals, and governance relating to such matters (IAASB, 2023).

The IFAC initiated public discussions on the competencies required to perform sustainability-related services, both in preparer and auditor capacities. As part of this process, the International Panel on Accounting Education Sustainability Reporting Project (SRP) reviewed IES 2 - *Technical Competence*, 3 – *Professional Skills*, and 4 – *Professional Values, Ethics & Attitudes* which prescribe the learning outcomes[13] that are to be achieved by aspiring professional accountants by the end of the IPD.

44. The SRP assessed that the current IESs did not sufficiently address the competencies and learning outcomes required in areas of sustainability for professional accountants to perform their roles competently. Significant matters identified for revision in IES 2, 3, and 4 were: (i) accountants as system-thinkers, who recognize the connectivity of finance and sustainability; (ii) a global baseline of education or an appropriate minimum education standard at a global level based on demand for accountants to perform high quality, sustainability-related services; (iii) a new competence to separate out assurance engagements from audits of the GPFS to ensure IPD programs cover sustainability assurance concepts; (iv) business acumen and behavioral competences in order to be capable of recognizing the connections between financial and sustainability risks and opportunities and provide management high-quality sustainability-related information to support informed decision-making; (v) informed conclusions instead of well-reasoned conclusions; and (vi) modernized language and terminology.

45. A conforming amendment is proposed to align changes in IES 2 with: (i) the Framework for IESs for Professional Accountants and Aspiring Professional Accountants to include sustainability disclosures as an example of a learning outcome for the technical competence of a professional accountant; and (ii) the Glossary of Terms for IESs to add the terms “scenario analysis” and “value chain”. In addition, non-authoritative guidance may also be issued.

46. All proposed revisions were compiled in an ED *Proposed Revisions to IES 2, 3 and 4 – Sustainability*, published for consultation in April 2024. A version incorporating comments was approved by the IFAC Board at its November 2024 meeting. The final pronouncements were published in March 2025 and become effective for implementation in July 2026. It allows IFAC member organizations sufficient time to translate the standards and develop appropriate processes for their implementation. However, earlier adoption would be permitted and encouraged.

2.4. Other Regulatory Frameworks Related to Sustainability Information

47. Budgeting reforms have advanced across various jurisdictions. The Organization for Economic Cooperation and Development (OECD) has published several guidelines, including *Best Practices for Budget Transparency* (OECD, 2002), *Good Practices for Performance Budgeting* (OECD, 2019), and *Best Practices for Parliaments in Budgeting* (OECD, 2023). Both the *Best Practices for Budget Transparency* and the *Best Practices for Parliaments in Budgeting* recommend the preparation and presentation of a long-term fiscal sustainability report but make no other reference to sustainability reporting. In contrast, the Good Practices for Performance Budgeting include recommendations for year-end reporting on performance targets, which, in some instances, may be linked to sustainability objectives.

13 Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area.

48. The OECD has also established the Paris Collaborative on Green Budgeting to introduce innovative tools for assessing and improving the alignment of national expenditure and revenue processes with climate and other environmental goals. The Paris Collaborative has released different documents in this regard, including the *Green Budget Tagging, Introductory Guidelines and Principles* (OECD, 2021) to provide guidance for countries aiming to develop an effective approach to green budget tagging. More recently, it published *Green Budgeting in OECD Countries* (OECD, 2024), which compares green budgeting initiatives across countries based on the OECD Green Budgeting Framework, covering: i) institutional arrangements, ii) method and tools, iii) accountability and transparency, and iv) enabling environment in budgeting.

49. Recent budget reforms are expected to have implications for sustainability reporting. Some countries may have implemented the earmarking of budget appropriations to align their budget with sustainability objectives. Earmarking refers to the practice of setting aside a portion of the budget for specific purposes or programs. This practice can influence the entity's sustainability strategy, particularly in managing climate-related risks and opportunities, which are required disclosures under IPSAS SRS ED 1. In certain cases, earmarking appropriations may also be classified as public policy programs and reported accordingly.

50. Additionally, under IPSAS 24, *Presentation of Budget Information in Financial Statements*, governments are required to disclose earmarked funds if they are part of the approved budget. The earmarked funds must appear in the financial statements, specifically within the budget information section. Similarly, the government may report on performance outcomes related to these earmarked funds and associated programs in a service performance report, according to RPG3, *Reporting Service Performance Information*.

51. In the area of governmental finance statistics (GFS), the International Monetary Fund (IMF) 2014 Government Finance Statistics Manual (IMF, 2014) has not yet provided any formal guidance on sustainability reporting. However, the IMF is currently working on an update of the 2014 manual, expected by the end of 2027. GFS-specific research projects have been assigned to four different task teams: GFS compilation issues; debt and other monetary and financial topics; environmental issues; and fiscal analysis and GFS communication.

52. In March 2025, as part of the environmental task team's work, the Division Chief of the IMF Statistics Department presented several ongoing projects, including: (i) accounting for natural resources and their exploitation in GFS; (ii) recording and evaluation of infrastructure assets; (iii) the presentation of GFS flows related to natural resources; and (iv) climate-sustaining and climate-damaging subsidies and other transfers. Regarding government-related SDG indicators, no new indicators are expected on climate-related issues with source data from the GFS.

53. GFS and the G20 Data Gaps Initiative (DGI) are closely related in the context of improving financial data transparency and ensuring better economic decision-making. The DGI aims to address data gaps revealed by the global financial crisis and improve the availability and comparability of economic and financial statistics. In relation to climate change related expenditures, the DGI has made two key recommendations: (i) focusing on government climate impacting subsidies by developing and implementing frameworks for collecting and reporting data on subsidies that have significant climate impacts; and (ii) enhancing the collection and reporting of data on expenditure related to climate change mitigation and adaptation, specifically by tracking investments in renewable energy, energy efficiency, and other initiatives aimed at reducing the impact of climate change.

54. Finally, the updated pre-edit version of the *System of National Accounts* (UN, 2005) has been evolving to better integrate sustainability considerations. Key developments include (i) accounting for depletion as a production cost alongside depreciation in net domestic product calculations; (ii) adopting a "split asset" approach for natural resources, reflecting shared benefits between owners and extractors; (iii) classifying natural resources, including renewable energy, as a separate category; (iv) incorporating supplementary items in financial accounts for environmental, social, and governance factors and green finance, supporting the transition to renewable energy; (v) providing improved guidance for accounting biological, mineral, and energy resources, as well as household production of electricity and heating; (vi) strengthening alignment with the *System of Environmental Economic Accounting*, and (vii) introducing new chapters on national accounts related to well-being and sustainability, including specific measures for both.

CHAPTER

3 EARLY EXPERIENCES IN PUBLIC SECTOR SUSTAINABILITY REPORTING

55. Given growing demand for sustainability-related disclosure, and in the absence of an international framework for public sector sustainability reporting, some individual country initiatives across the globe have led the way in the design and implementation of sustainability reporting. This chapter describes the experiences of Brazil, New Zealand, Switzerland, and the UK in developing instruments for public sector sustainability reporting, as well as the regulatory frameworks used or introduced for their preparation. Drivers and limitations derived from these early experiences can inform the implementation of sustainability standards and the presentation and assurance of future public sector sustainability reports.

56. The selected country examples reflect diverse approaches, levels of maturities, and rationales in addressing the needs of different stakeholders. Brazil was highlighted to showcase how countries report on the allocation of funds from sovereign sustainable bond issuances, also known as "use of proceeds". New Zealand was selected for its expertise in specialized climate-related reporting, with a focus on the economic and fiscal implications of climate change. Switzerland was chosen for its experience in implementing RPG 1 on financial reporting and as an example of how countries report on long-term fiscal sustainability reporting. The UK was selected due to its extensive experience in sustainability reporting that aligns with private sector framework criteria.

57. The four countries publish instruments to communicate financial impacts of climate change, improvements in environmental performance, and/or the use of financial resources on sustainability purposes. However, none of them follow the same type of report and rationale as IPSAS SRS ED 1. **Table 8** summarizes the current sustainability reporting related practices used in each case, detailing characteristics such as its objective, scope, regulatory framework, issuer, frequency of each reporting arrangement, and IPSAS implementation status.

Table 8. Early experiences in sustainability reporting

	Brazil	New Zealand	Switzerland	United Kingdom
Current practice	Pre-Issuance Indicative Resource Allocation Report	Climate Economic and Fiscal Assessment / Climate Statements	Fiscal Sustainability Report	Greening Government Commitments Annual Report
Issuing organization(s)	Sovereign Sustainable Finance Committee	The Treasury and the Ministry for Environment / Entities involved in financial markets	Federal Department of Finance	Department for Environment Food & Rural Affairs

	Brazil	New Zealand	Switzerland	United Kingdom
Rationale of report	Prioritized budget programs for the allocation of resources in bond issuances	Future economic and fiscal implications of climate change / Climate-related risks and climate-related opportunities	Financial impact of climate mitigation measures on public finances	Improvements in environmental performance
Basis of report	Brazil's Sovereign Sustainable Bond Framework	Existing international and domestic frameworks	Implicitly IPSAS RPG 1	Greening Government Commitments
Entity scope	Central government	Central government / Individual entities	General government sector	Central government/ individual entities
Date of last publication	September 2023 (first publication)	April 2023 (first publication) / Annual reporting periods beginning on or after 01 January 2023	April 2024 (first time with a chapter dedicated to climate impacts on public finances)	April 2021 (since 2012)
Frequency of report	When there is a Sovereign Bond issuance.	Updating in the future / Annual	2008, 2012, 2016, and 2021	Annual
IPSAS implementation status	IPSAS-adopted	IPSAS-adopted	IPSAS-adopted	Non-IPSAS-adopted

Source: Authors

58. The experiences of the four countries highlight several drivers behind the implementation of what they consider sustainability reporting for the public sector. A common driver was the growing demand from citizens, financial markets, NGOs, and other stakeholders for greater transparency and accountability on environmental impacts. Some countries were motivated by their commitments to international frameworks, such as the SDGs, the Paris Agreement, and national sustainability strategies. The ambition to enhance the credibility and legitimacy of public institutions as leaders in sustainable governance was also evident. Furthermore, Brazil's experience illustrates how support from development partners played a role in integrating sustainability reporting into broader public financial management reforms. New Zealand and the UK benefitted from building on the sustainability reporting foundations established by the private sector, while Brazil and New Zealand leveraged experience gained from implementing IPSAS. Similarly, the use of established guidance from international private sector sustainability reporting frameworks facilitated the development of local frameworks aligned with current practices.

59. Key limitations challenging the implementation of sustainability reporting in the public sector also emerged from these experiences. Notably, gaps in institutional understanding of the emerging sustainability disclosure requirements might hinder consistent application and alignment between public sector reports. This was evident in Brazil´s reporting on the allocation of funds from sovereign sustainable bond issuances and Switzerland reporting on the long-term sustainability of public finances. In some cases, the implementation of sustainability reporting was affected by a lower prioritization within political and institutional agendas. Brazil illustrated the limitation posed by the absence of regulatory sustainability structures specific to the public sector, and by inadequate tools, systems, and processes for capturing, verifying, and reporting sustainability data. Brazil and the UK further highlighted the lack of auditor expertise and established guidance to verify sustainability disclosures. **Table 9** summarizes the drivers and limitations mentioned above.

Table 9. Drivers and limitations from early experiences

Drivers	Limitations
■ Growing demand from citizens, financial markets, NGOs, and other stakeholders for transparency and accountability on environmental impacts. ■ Commitments to international frameworks, such as the SDGs, the Paris Agreement, or national sustainability strategies. ■ Enhancement of credibility and legitimacy of public institutions as leaders in sustainable governance. ■ Support from development partners to integrate sustainability reporting within broader public financial management and governance reforms. ■ Building on the sustainability reporting path established by the private sector. ■ Building on the experienced gained from implementing international public sector financial accounting regulations, such as IPSAS. ■ Use of established guidance from international sustainability reporting frameworks.	■ Gaps in institutional understanding of emerging sustainability disclosure requirements. ■ Fear of reputational exposure or low prioritization of sustainability reporting within political and institutional agendas. ■ Limited development of regulatory sustainability structures for the public sector. ■ Inadequate tools, systems and processes for capturing, verifying and reporting sustainability data, or challenges in adapting existing ones. ■ Lack of expertise or established guidance to verify sustainability reports with the same rigor as GPFS from auditors.

Source: Authors

60. The following sections in this chapter provide a description of each of the experiences.

3.1. Brazil

61. The Brazilian Government has implemented a series of initiatives to promote and advance the country's sustainable development. Following a political initiative in 2023 and 2024, the Brazilian Government is working on a project to include a section in the Public Sector Accounting Handbook for the preparation of a mandatory public sector sustainability finance report for all levels of government. Although still in its early stages, the project is considered a pioneer in the region. The project needs to develop structures and standards for the Federation, adapt existing systems and processes to capture new types of relevant information, integrate processes in the federated entities, and develop sustainability skills in audit professionals.

62. Notwithstanding the above, Brazil serves as an example of how countries report on the allocation of funds from sovereign sustainable bond issuances.[14] The country has made progress in managing social and environmental risks by financial institutions and in disseminating sustainable financial instruments. The federal government has established the Sovereign Sustainable Finance Committee (SSFC)[15] to mobilize various stakeholders and federal agencies in creating a framework that will serve as a core reference for Brazil's consistent and active presence in the international markets for sustainable bonds. This initiative consolidates the commitment to sustainability policies, while aligning with the growing interest from investors in these instruments.

63. The SSFC has developed Brazil's Sovereign Sustainable Bond Framework (SSBF), which constitutes a guide for the issuance of labelled sovereign bonds instruments backed by budgetary expenses that will directly contribute to advancing sustainable development in Brazil. The SSBF establishes the obligations that the federal government must comply with as an issuer for any sovereign green, social, and sustainability bond.[16] The federal government commits to allocating an amount equal to the net proceeds of any green, social, or sustainability bond to eligible categories of projects and initiatives (budgetary programs and projects) which promote sustainability and contribute to the mitigation of climate change, the conservation of natural resources, and/or to social development.

64. The SSBF was prepared in line with the guidelines of the International Capital Market Association (ICMA), in particular its principles for the issuance of themed bonds: green bond principles, social bond principles, and sustainability bond guidelines. These principles and guidelines lay out best practices for issuing debt securities that serve social and/or environmental purposes through global guidelines and recommendations that foster transparency and disclosure. The framework has received the support of the World Bank and a Second Party Opinion by Sustainalytics, which detailed and confirmed its alignment with the principles set by the ICMA.

65. In this context, the Brazilian government has released two types of report: the Pre-issuance Indicative Resource Allocation Report and the Brazil Sovereign Sustainable Bonds Allocation and

14 By 2023, 50 sovereign issuers had issued green, social, and sustainable bonds, 23 of which were from emerging markets. Inaugural issuances have taken place in countries like Argentina, Brazil, Cyprus, India, Israel, Türkiye, and the United Arab Emirates. Chile has also implemented a national framework for green, social, and sustainable bonds. It is the only emerging market sovereign to have issued green bonds, social bonds, and sustainability bonds, as well as the first sustainability-linked bond by a sovereign. Similarly, the Philippines released guidelines on the issuance of "blue", or environment, social, and governance, bonds (World Bank, 2024b).

15 Under the purview of the Ministry of Finance, the SSFC comprises the Brazilian National Treasury of the Ministry of Finance; Ministry of Agriculture and Livestock; Ministry of Science, Technology, and Innovation; Ministry of Integration and Regional Development; Ministry of Mines and Energy; Ministry of Agrarian Development and Family Agriculture; Ministry of Social Development, Assistance, Family and Fight against Hunger; Ministry of Development, Industry, Trade and Services; the Office of Economic Policy of the Ministry of Finance; Ministry of Environment and Climate Change; and the Federal Budget Secretariat of the Ministry of Planning and Budget.

16 Green, social, and sustainability bonds will allow Brazil to capture funds to finance budget programs and projects that generate positive environmental and/or social impacts based on the strategy for the fulfilment of the SDGs.

Impact Report. These reports intend to provide annual updates on the allocation and impact of supported projects and activities until the full allocation of the proceeds. According to Brazilian officials, while neither report follows the same rationale and reporting approach as IPSAS SRS ED 1, both reports represent a first step toward IPSAS-based sustainability reporting.

66. The Pre-Issuance Indicative Resource Allocation Report indicates the budget programs that will be prioritized for the allocation of resources in sovereign bond issuances of the Federative Republic of Brazil. The SSFC has defined two indicative pre-issuance resource allocations: the first was approved in October 2023 and the second in May 2024. The disclosure of data is prioritized to ensure that resources are used efficiently and in accordance with established sustainability objectives. However, the final composition of the allocations may vary depending on the amount raised in the issuance. On the other hand, the Brazil Sovereign Sustainable Bonds Allocation and Impact Report primarily aims to provide transparency to investors on the results achieved in both the first and second issuances by offering an overview of the likely allocations of expenditure. This report was approved and published by the SSFC in November 2024.

67. Each Pre-Issuance Report contains an introduction, an indicative resource allocation, and final considerations. The introduction describes the development of the SSFC and the SSBF, the purpose of the report, and some environmental and social considerations in Brazil. The indicative resource allocation includes the use of proceeds related to the issuance of sovereign bonds, forecasted according to the eligible social and environmental budgetary programs established in the SSBF. The final considerations highlight aspects already mentioned in the SSBF, such as annual allocation and impact reports for the issuances of sustainable sovereign bonds, and the submission of these reports for external review.

68. The Allocation and Impact Report contains an introduction, the details of the issuances and selection process of the budget programs and eligible project, the allocation report, the impact report, and recent initiatives in the sustainability agenda. The allocation report section presents details on allocations by expense category. The impact report section provides a non-exhaustive list of indicators for categories of eligible expenses reported in the allocation report. The recent initiatives in the sustainability agenda refer to the actions undertaken by the Brazilian government beyond the SSBF. Additionally, this report was externally verified regarding the environmental and social benefits of the Framework.

3.2. New Zealand

69. In New Zealand, the External Reporting Board (ERB) was established by the Financial Sector (Climate Related Matters and Other Matters) Amendment Act 2021 to issue a climate-related disclosure framework. The ERB issued three climate standards: (i) climate-related disclosures; (ii) climate standards; and (iii) general requirements for climate-related disclosures. The standards apply mainly to private sector entities involved in financial markets but might also apply to public sector entities involved in financial markets, for example, by issuing bonds.

70. The ERB's climate standards serve as a reference for sustainability reporting across all public sector entities. The Ministry for the Environment is considering extending mandatory disclosure requirements to public entities and is collaborating with the ERB on a comprehensive range of reporting and assurance issues.

71. New Zealand is known for its expertise in producing specialized climate reports. The Treasury and the Ministry for the Environment published the Climate Economic and Fiscal Assessment (CEFA)

in 2023. This provided the latest available information on the economic and fiscal implications of climate change and the country's response. The CEFA aims to help decision-makers identify and manage the risks and opportunities associated with physical climate change and the transition to a low-emissions and climate-resilient future. The CEFA has seven chapters: introduction; framework for assessing climate-related economic and fiscal impacts; sources of climate-related economic and fiscal impacts; economic impacts from physical climate change; economic impacts from the low-emissions transition; fiscal impacts; and New Zealand's first Nationally Determined Contribution-scenario analysis of fiscal risk from offshore mitigation.

72. The framework presented in the CEFA relies on international frameworks, including: (i) the TCFD's classification of climate-related risks (physical and transition risk); (ii) the framework of the Network for Greening the Financial System, which defines and promotes best practices to meet the goals of the Paris agreement and to enhance the role of the financial system on sustainability; (iii) the Framework of the UK's Office for Budget Responsibility, which examines and reports on the sustainability of the UK public finances; and (iv) the Helsinki Principles of the Coalition of Finance Ministers for Climate Action, which leads the global climate response and seeks to secure a just transition towards low-carbon resilient development. The CEFA is aligned with publications from other public sector entities such as the New South Wales Treasury and the United States' Office of Management and Budget.

73. To develop its analysis of climate impacts, the CEFA also draws on two existing New Zealand-specific wellbeing frameworks: (i) the Treasury Living Standards Framework, which provides an understanding of wellbeing drivers and considers the broader impacts of policy advice in a systematic and evidenced-based way; and (ii) He Ara Waiora, a framework developed by Māori thought leaders that helps the Treasury to understand waiora (a Māori perspective on wellbeing).

74. The introduction of mandatory climate-related disclosures for financial market participants and the publication of the CEFA were driven by a strong focus on climate change, particularly through the National Climate Change Risk Assessment which identified climate change as a key risk to the New Zealand wellbeing. The growth of private sector sustainability reporting has also influenced public sector practices.

3.3. Switzerland

75. In recent years, the Federal Department of Finance of Switzerland has regularly published the Fiscal Sustainability Report, which serves as an example of how countries report on the long-term sustainability of public finances.[17] The report highlights the magnitude of the additional burden that future demographic changes will impose on Switzerland's public finances. It focuses on Switzerland's general government sector, which includes the Confederation, social security funds, cantons, and municipalities. The report has been published in 2008, 2012, 2016, 2021, and 2024. Although not mentioned in its latest version, the report is implicitly prepared with some of the requirements of the RPG 1, regarding reporting long-term fiscal sustainability.

76. While maintaining a strong focus on long-term sustainability, the 2021 edition of the report included, for the first time, a qualitative assessment of the long-term effects of climate change on public finances. The 2024 edition builds on this by providing the first analysis of the financial impact of climate mitigation measures on public finances. It models the mitigation efforts required

17 Other countries such as Germany, the UK, the USA, Canada, Sweden, France, Australia, Chile, and New Zealand have also produced long-term fiscal sustainability reports. These reports are produced in response to a combination of national legislative requirements and international fiscal governance frameworks. In the case of EU Member States, the Stability and Growth Pact, the European Semester, and the Ageing Report together form a comprehensive framework for long-term fiscal sustainability reporting.

to achieve the net zero target by 2050. The report includes projections that illustrate how climate policy is expected to change the structure of public revenue and expenditure under specific assumptions, and how this change may affect the budgetary balance and the debt ratios across different levels of government. However, the 2021 and 2024 editions of the Fiscal Sustainability Report do not follow the same rationale and reporting approach as IPSAS SRS ED 1.

77. The methodological approach for modelling the effects of climate mitigation measures is based on the study conducted by Ecoplan (2024) on the long-term impact of the net zero emissions target on public finances. The assumptions are largely based on the results of the Energy Perspectives 2050+ commissioned by the Swiss Federal Office of Energy.

78. There was no formal political initiative leading to the inclusion of climate change in the Fiscal Sustainability Report. The country signed and ratified the Paris Agreement and complies with its reporting requirements, but the inclusion of climate related information in the Fiscal Sustainability Report was a decision made within the Federal Financial Administration by the administrative unit preparing the report. The report is closely tied to medium-term financial planning for the legislative term and is, therefore, actively discussed in the relevant parliamentary committees, which have shown increasing interest in the effects of climate-change and the respective policy measures.

3.4. United Kingdom

79. The primary instrument for disclosure of government sustainability-related financial information in the UK is the Greening Government Commitments (GGCs) Annual Report, published by the Department for Environment Food and Rural Affairs annually since 2012. This report demonstrates how the government is working to improve the environmental performance of its own estate and operations according to the GGCs. These outline the actions that UK government departments and their partner organizations must take to reduce their impact on the environment. Political support and pressure were critical for the development of this reporting framework. As in New Zealand, the growth of private sector sustainability reporting influenced public sector practices.

80. The 2021-2025 GGCs Framework redefines targets on GHG emissions, waste, and water consumption, as well as introduces commitments on procurement, nature recovery, climate adaptation, and information and communication technology. Except for GHG emissions, the targets are aggregate central government targets and not individual minimum performance targets for each department. Unless specifically exempted,[18] the GGCs apply to the office and non-office estates and operations of central government departments and their executive agencies, non-ministerial departments, and executive non-departmental public bodies. Central government departments report on behalf of their executive agencies, non-ministerial departments, and executive non-departmental public bodies.[19]

81. The Whole of Government Accounts (WGA) for 2021-22[20] includes a reference to the GGC Annual Report 2020-21. The WGA 2020-21 also highlights progress since 2009 towards central government objectives related to net zero and government emissions based on the GGCs. The Treasury prepares and publishes the WGA, which consolidates the audited accounts of over 10,000 organizations across the UK public sector in accordance with IFRS.

18 Specific exemptions occur, for example, when an organization occupies less than 500 square meters of floor space and has fewer than 50 full-time equivalent staff or where applying the commitments might lead to a perverse outcome. The GGCs also exclude the devolved administrations, Crown Dependencies, and Overseas Territories.

19 The UK government has 25 ministerial departments, 20 non-ministerial departments, and more than 400 agencies and other public bodies.

82. For the preparation of the GGCs Annual Report, individual central government bodies that fall within the scope of the GGCs and produce Annual Reports and Accounts in accordance with the Treasury's Government Financial Reporting Manual have entity reporting requirements to report performance against sustainability targets according to the Sustainability Reporting Guidance (SRG). However, some bodies fall within the scope of GGCs but fall outside the scope of the Government Financial Reporting Manual (for example health and education). Those cases are clearly distinguished, and an analysis of information must be provided to allow reconciliations. This means that the bodies included are clearly distinguished from those not included showing the related financials as per the organization's financial statements. Preparers outside the scope of GGCs may choose to follow the SRG for their sustainability reporting.

83. The SRG contains the principles and standards for sustainability reporting. Sustainability reporting must be integrated throughout the annual report and accounts (not as a separate standalone report) following the SRG. The purpose of the reporting is to provide transparency on public sector performance in sustainability. Therefore, public bodies are encouraged to demonstrate how sustainability is an essential characteristic within the strategic objectives, operations, and policymaking,[21] and to reflect on the risks to achieving integrated reporting and how these risks are managed. Additional context is provided to explain areas of particular interest and those deemed most material.

84. The SRG is aligned with GGCs and to some extent with other frameworks, regulations, legislation, and guidance (for example, reduction in emissions requests is aligned with the GHG Protocol and the Guidance on calculating and estimating emissions). The UK regulator outlined in 2020 a pathway to making disclosures in line with TCFD recommendations mandatory by 2025. The SRG also provides some useful sustainability reporting standards setters, such as GRI, for preparers to consider when planning, implementing, and reviewing their annual reporting.

85. The structure of an individual sustainability report, according to the SRG, consists of two main sections: (i) description of commitments and actions to promote and embed sustainability through policy developments, work with other government departments and international partners, and its own operations on mitigation and adaptation to climate change, nature recovery, and social justice; and (ii) presentation of performance against the GGC targets.

86. External assurance and verification of data, according to the SRG, are not required for sustainability reporting. However, government bodies should have relevant auditors or scrutiny arrangements to ensure that correct procedures are in place to produce robust performance data. This must provide an entity's senior management with appropriate assurance about the quality of financial and non-financial data and information included as part of sustainability reporting.

20 The latest WGA published by the Treasury at the time of writing this knowledge product.

21 Some of the minimum requirements regarding non-financial information are i.) emissions as a result of combustion in boilers owned or controlled by the organization and fugitive emissions from equipment; ii.) energy consumed which is supplied by another party and purchased heat, steam, and cooling; and iii) emissions relating to official business travel directly paid for by an organization, etc. Some of the minimum requirements regarding financial information are i) gross expenditure on the purchase of energy; ii) total expenditure on waste disposal, etc.

CHAPTER

4 IMPLICATIONS FOR THE PUBLIC SECTOR AND RECOMMENDATIONS

87. The development of international standards and preliminary national experiences offer valuable insights into the implications of sustainability reporting in the public sector. This chapter aims to analyze these implications and provide recommendations to support the successful implementation of sustainability reporting in public sector entities with a particular emphasis on the following critical areas: resource and capacity building needs, data collection, and political will. The chapter expands beyond the experiences of the four referenced countries, considering that sustainability disclosure reporting is expected to mature over time, allowing countries to progressively implement recommendations as they advance in implementation of SR practices.

88. Although IPSAS SRS 1 is not a draft standard for GPFS, it is closely linked and aims to provide climate-related information in GPFR. The entity responsible for preparing sustainability reporting is likely the same entity as the one responsible for the preparation of the GPFS. This is actually the same approach that is usually followed in the private sector where the responsibility for preparing sustainability reporting is considered a "finance function", given its experience in compiling reliable, neutral, and standard based reports. A key task will be to manage and harmonize the reporting requirements of all public sector entities, as well as to collect and consolidate the data submitted by the entities.

89. The implementation of sustainability related audit standards should go hand in hand with sustainability reporting standards. The private sector audit standard ISSA 5000 was recently issued, but it is not yet clear if and how INTOSAI will adapt it for the public sector. Some jurisdictions may wait for an ISSAI to be issued, while others (directly or indirectly) adopt private sector standards for public sector assurance. In any case, implications for the assurance are expected once a jurisdiction starts preparing sustainability information as part of GPFR.

90. The sustainability-related changes in the IES should also be considered. The implementation of sustainability reporting within GPFR has implications for the professional education of accountants and auditors, since this topic is not yet included in curricula or examination requirements. Approaches to addressing this issue vary between jurisdictions. Some countries have governmental training and examination schemes in place, while others delegate professional education largely to professional associations or universities. Furthermore, there are differences between the private and public sector even within the same jurisdiction.

91. As IPSAS SRS ED 1 continues to undergo further discussions and possible modifications, the potential implications of sustainability reporting for the public sector are explored in more detail in the following sections. These are grouped into three broad themes: the preparation phase, the transition phase, and the utilization phase. The preparation phase encompasses the strategic activities required to make the decision on the adoption of sustainability reporting in the public sector. The transition phase involves the operational activities needed to implement the sustainability reporting requirements. This phase concludes with the actual application of those requirements. The utilization phase refers to the ongoing process of producing, publishing, and

using sustainability reporting in according with the established requirements. Each phase is accompanied by a corresponding set of recommendations.

4.1. Preparation phase

92. As sustainability involves many stakeholders, each with different objectives, levels of motivation, and knowledge, the IPSASB plans to issue a suite of standards in the future, which will go beyond the first IPSAS SRS on Climate Disclosures. This will certainly expand the coverage of sustainability reporting requirements, although the IPSASB has not yet officially defined what topics or issues will be covered. In terms of scale, sustainability reporting in the public sector is likely to be similar to other complex and comprehensive financial reporting topics, such as the consolidation of SOEs or financial instruments. In fact, the UK experience, which included the roll-out across large parts of the national government, demonstrates similar challenges to those faced during the roll-out of consolidation a decade ago.

93. It is therefore valid for jurisdictions or entities to ask whether they should rather wait for the issuance of a full suite of sustainability standards to begin the implementation process. Due to growing global demands, the standard on climate-related disclosures is at the forefront of the most urgent sustainability issues and jurisdictions are encouraged to initiate discussions among relevant stakeholders on the potential implementation of IPSAS SRS 1. Waiting for the development of additional standards, a process likely to span several years, risks unnecessary delays in addressing critical sustainability issues such as climate change.

94. Before introducing new sustainability standards, each jurisdiction must conduct a comprehensive analysis of the implications of the IPSAS SRS 1, including an assessment of the existing regulatory framework, the required institutional support, and the stakeholder involvement. Experience shows that there may be previously issued legislation, regulation, or guidance already aligned with the planned reform or that can be adjusted to align with the new standard. This analysis serves as the foundation for the reform strategy to implement sustainability reporting.

95. A reform strategy must also be developed at the jurisdiction level to estimate and ensure the required human and financial resources to implement the sustainability reporting requirements. The reform strategy needs to define the adoption method, select relevant pilot entities, establish governance arrangements, and set milestones and a timeline of the reform. The strategy should also identify potential risks and challenges that may arise during the implementation process, as well as propose targeted mitigation measures to address these risks.

96. The new IPSAS SRS are a separate suite of standards, but linked to the IPSAS, the regulatory frameworks of both should therefore be coherent, although not necessarily identical. The same applies to the assurance and education standards.

Recommendation 1. Review IPSAS SRS and analyze its implications.

97. The process of adopting sustainability standards should begin with a thorough review of the existing IPSAS SRS and other relevant literature, e.g., other SR frameworks, such as IFRS S1 and S2, and ESRS, as well as knowledge products developed by international organizations, such as the OECD, the UN, and the World Bank, among others, to understand the rationale, approach, and requirements. Experience suggests that many concerns raised by governments during the

consultation period are often shared by other jurisdictions and are typically addressed by the IPSASB in the complementary sections of the standard. Concerns may include the production of reliable and standardized information on climate risks and their financial impacts, as well as the measurement and reporting of indirect emissions from the value chain (Scope 3). The review should particularly focus on entities facing significant climate-related risks and opportunities or those responsible for the outcomes of public policy programs.

98. The standard review should be accompanied by a comprehensive analysis of the implications of the entire reform implementation, comparing the expected outcomes of sustainability reporting with the associated implementation costs. Some of the expected outcomes of sustainability reporting are: (i) the measurement and monitoring of public sector climate-related policies and programs; (ii) the identification of climate-related risks and opportunities for the public sector; and (iii) the management of climate-related concerns at the public sector entity level. The associated implementation costs include the human resources and technical capacities necessary to adjust the current regulatory framework (recommendation 2 of the preparation phase); secure institutional support within the government (recommendation 3 of the preparation phase); and conduct a stakeholder assessment (recommendation 4 of the preparation phase). Countries with preliminary experience in developing instruments that differ from the rationale and reporting approach of IPSAS SRS 1 (e.g., Brazil and Switzerland) should also perform the standard review and cost-benefit analysis.

Recommendation 2. Assess existing sustainability-related regulations.

99. Before adopting sustainability standards, jurisdictions should assess existing national and/or subnational regulatory frameworks related to sustainability (e.g., metrics or targets based on the GHG Protocol or similar standards) as well as other regulations that are already in place for sustainability reporting (e.g., in the private sector). The assessment should compare current sustainability practices and the reporting capabilities against the IPSAS SRS. It should also identify existing data points, evaluate their reliability in sustainability metrics, and determine the elements or criteria that should be incorporated into national regulations to ensure alignment with the sustainability reporting requirements. This evaluation ensures that the adoption of new standards is well-informed, builds on prior experience, and leads to effective integration with existing sustainability-related regulations.

Recommendation 3. Identify competent institutions to drive regulatory changes.

100. If changes are required in existing regulatory frameworks, it is necessary to identify the competent institutions responsible for implementing and overseeing these changes. In the case of legislation, it may involve legislature, while in the case of regulation, it may involve parts of the executive branch of government or a national standard setter (e.g., national accounting boards, financial regulatory authorities, ministries of finance, or ministries of environment). Ministries of finance and environmental agencies often play a key role in coordinating efforts and ensuring the alignment with the climate-related disclosure requirements. The active involvement of such institutions facilitates, supports, and promotes the regulatory adjustments required for the successful implementation of sustainability standards. For instance, in case there is an existing national structure in a jurisdiction that is responsible for implementing sustainability and inte-

grated reporting in the private sector, it could be used or adjusted to expand its scope and lead the implementation of sustainability reporting in both private and public sectors.

Recommendation 4. Conduct a stakeholder assessment and involve key stakeholders.

101. To strengthen political support, it is essential to conduct a stakeholder assessment early in the process to define and engage key stakeholders. The assessment should start by clearly identifying stakeholders who are involved in or affected by the implementation of sustainability reporting. The key stakeholders should be defined based on their specific needs, expectations, and levels of influence, as well as their capacity to use, understand, and contribute to sustainability information. Stakeholders for climate-related disclosures include internal stakeholders, such as policymakers, public officials, and the supreme audit institution, as well as external stakeholders including GHG experts, capital markets, civil society organizations, citizens, professional bodies, academia, oversight bodies, and development partners. Subsequently, to engage key stakeholders' commitment, it is important to demonstrate the expected outcomes of sustainability reporting. Some of the expected outcomes are presented in Recommendation 1 above.

Recommendation 5. Establish governance arrangements.

102. Since the implementation of sustainability reporting is similar to financial reporting reforms but not identical, governance arrangements need to be defined. Governance arrangements refer to the framework that allocates decision-making authority and assigns responsibilities for setting, socializing, and approving sustainability standards, including climate-related disclosures. These arrangements should build on the significant progress, synergies, and lessons that governments have already gained in relation to GPFS. For instance, ministries of finance typically lead financial reporting efforts and could therefore take a leading role in the governance arrangements of sustainability reporting, given its close connection to GPFS as part of the GPFR. However, it is also important to guarantee the participation of other relevant governmental bodies such as the ministry for environment and other related agencies. Governance arrangements should also reflect the broader group of stakeholders and the method of adoption.

Recommendation 6. Define an adoption method. It is likely that implementation of the standards will follow different patterns.

103. Some jurisdictions will adopt the IPSAS SRS directly by approving them to become part of the national regulation, while others might decide to take an indirect approach, using the IPSAS SRS as a reference for their own national frameworks. While international comparability strongly supports direct adoption, there is currently no legal basis to mandate it for sovereign countries. Therefore, indirect adoption, which at least leads to some harmonization between the different national jurisdictions, is also a valid approach. In any case, it is crucial to evaluate the advantages and challenges of direct versus indirect adoption methods. This evaluation should consider past experiences with accounting or assurance regulations. For direct adoption, it is essential to assess the need for supplementary guidelines to address local specifics. For indirect adoption, the focus should be on evaluating processes to align local frameworks with international standards.

Recommendation 7. Select relevant pilot entities.

104. Jurisdictions may opt to implement sustainability reporting though a pilot approach, selecting relevant pilot entities. In this case, the preparatory phase should focus on analyzing the challenges and successes experienced by entities: (i) with significant climate-related risks and opportunities, and (ii) responsible for climate-related public policy programs. The selected entities should represent a variety of government functions, capacities, and contexts. They should also be willing to engage with the sustainability reporting process and provide useful feedback. Additionally, continuous monitoring of the implementation process is essential to assess risks and areas of improvement. The results from these pilots will contribute to the comprehensive analysis of implications mentioned in Recommendation 1 above.

Recommendation 8. Guarantee a balanced approach to implement IPSAS and IPSAS SRS.

105. Jurisdictions with limited technical, human, and financial capacities that have not yet completed the implementation of IPSAS should adopt a balanced approach that mitigates fatigue from parallel reforms and allows the simultaneous and complementary implementation of both IPSAS and IPSAS SRS. This approach prevents overburdening entities while ensuring that financial systems and practices are fully established, providing a stronger foundation for an effective and reliable integration of sustainability information. In addition, other ongoing reforms, such as those related to budgeting, should also be considered in the planning and execution of the reform, as they may demand significant resources and coordination. In case of focusing first on accrual accounting adoption, it is important to continue to closely monitor developments in sustainability reporting frameworks and practices in the public sector. Those jurisdictions that are in an advanced stage of IPSAS implementation should also assess the lessons learned from implementing IPSAS and take them into consideration for drafting the sustainability reporting implementation strategy or plan.

Recommendation 9. Outline milestones and a timeline of the reform.

106. An appropriate strategy for the adoption of new standards should clearly outline its objectives, including the alignment with broader institutional and regulatory priorities. For the successful achievement of these objectives, the reform process should be broken down into manageable phases, each with specific goals, e.g. preparation, transition, and utilization phases. This structured approach aims to ensure accountability, monitor progress, and address challenges proactively. A well-defined timeline helps align stakeholders, allocate resources efficiently, and maintain momentum throughout the process, ultimately leading to a comprehensive and credible sustainability reporting regulation.

107. Based on the jurisdictional reform strategy and governance agreements, the reporting entities should also take preparatory action and develop their own implementation plans. These plans should align closely with the milestones, timeline, and expected outcomes outlined in the jurisdictional strategy. At entity level, the focus will likely shift from understanding the regulatory requirements to establishing robust data management and preparing individual sustainability reports.

Recommendation 10. Ensure government commitment through the adoption of sustainability reporting.

108. Once preparation activities are completed, a formal decision must be made to officially adopt sustainability reporting in the public sector. Ideally, this decision should be documented in an official mandate issued by a high government authority, providing a clear directive for execution. It also serves as a milestone, marking the completion of the preparation activities and the beginning of the transition activities. The formal decision should clearly articulate the expected outcomes of sustainability reporting to ensure alignment and set clear expectations among stakeholders.

4.2. Transition phase

109. Once the preparation activities are complete and a formal decision has been made to proceed with the adoption of sustainability reporting in the public sector, operational activities must be undertaken to implement the climate-related disclosures. The transition phase builds on the strategic foundation developed in the preparation phase of the reform and continues until the sustainability reporting requirements are fully applied. The tasks within this phase are essential to ensure that the reporting requirements are not only ready for application but also sustainable over the long term.

110. The reform strategy should now be implemented in line with the final decisions made after the comprehensive analysis of the implications of applying climate-related disclosures. These decisions include aspects such as the adoption method and the responsibilities assigned for setting and approving sustainability standards. The reform strategy should also consider the planned human and financial resources, as well as the established milestones and timeline.

111. Successful execution of the strategy will require the development of new regulations on sustainability reporting or amendments to existing regulatory frameworks. This activity also involves ensuring availability and collection of good data, reinforcing commitment from key stakeholders, integrating the new requirements with existing IT systems, defining clear accountability and assurance mechanisms, managing change, building capacity, monitoring processes, and establishing effective internal and external communication channels.

112. Ideally, the new regulatory framework should provide an estimated date for when public sector will begin applying the sustainability reporting requirements, along with a target year for the presentation of the first sustainability report based on the climate-related disclosures.

Recommendation 1. Build a robust regulatory framework.

113. Once the assessment of existing sustainability-related regulations is completed, jurisdictions should develop new regulations or amend existing regulatory frameworks to ensure alignment with the new sustainability reporting standards. This process should address gaps, inconsistencies, and legal barriers identified during the assessment of the existing sustainability-related regulations and support a structured transition toward the application of sustainability reporting in the public sector. Regulatory reforms should be developed in consultation with key stakeholders (including ministries of finance, environmental agencies, and supreme audit institutions) to ensure feasibility and effectiveness.

114. In countries with preliminary experience in developing instruments that differ from the IPSAS SRS 1 approach, new regulations will be required and existing regulatory frameworks must be amended, as necessary. For example, Brazil should move forward with the inclusion of a section in the Public Sector Accounting Handbook to mandate the preparation of a public sector sustainability report for all levels of government. This will shift its reporting approach from a product-specific perspective (allocation of funds from sustainability bond issuances) to a broader focus about governmental climate performance. Similarly, Switzerland could establish the necessary legal basis to adopt IPSAS SRS. It would represent a new reporting approach where reports focus not only on the government's financial position and its ability to maintain services and meet obligations in the future, but also on the public sector's overall impact on climate.

Recommendation 2. Ensure availability and collection of good quality data.

115. Some public sector entities may lack structured databases, while others collect data in inconsistent formats without a centralized reporting system. Additionally, differences in data collection may exist between sectors (e.g., transportation, health, infrastructure, etc.), levels of government (e.g., federal, regional, and municipal), and when relying on third-party suppliers. Common climate-related risks reporting protocols and data-sharing frameworks should therefore be designed in collaboration with environmental agencies and climate research institutions. Governments could also introduce mandatory reporting requirements for suppliers. Consistent methodologies for assessing climate-related risks should be defined based on standardized information. Finally, adequate controls should be established for the data collection and analysis to ensure compliance with climate-related disclosure requirements.

Recommendation 3. Reinforce commitment from key stakeholders.

116. Building on the progress initiated by Recommendation 4 of the preparation phase, key stakeholder's commitment to implement sustainability reporting should be actively maintained throughout the transition phase. This can be achieved by regularly communicating updates on the reform's progress, challenges, and successes. Ongoing consultation processes can help address stakeholder´s feedback, concerns, and suggestions. For instance, their inputs are crucial in determining what constitutes material information in the context of sustainability reporting in the public sector. Reinforcing key stakeholders' commitment in this way can result in a more comprehensive standard with greater potential for applicability.

Recommendation 4. Integrate sustainability reporting with GPFS.

117. IPSAS SRS ED 1 requires strong connectivity between the GPFS, as part of GPFR (see Table 6), and climate-related disclosures. This goes beyond identifying the GPFS to which the climate-related disclosures relate and involves providing information in a manner that enables users to understand connections between both. This includes, but is not limited to, providing necessary explanations, cross-references, and using consistent data, assumptions, and units of measure.

118. Similarly, climate related disclosures should be reported for the same reporting entity, at the same time, and for the same reporting period (12-month period) as the related GPFS. The

reporting entity is the entity for which the GPFR are prepared and presented. It defines the scope and boundary of both GPFR and the application of IPSAS. A reporting entity can be a single entity or a group of entities that: (i) raises or uses resources from, on behalf of, or for the benefit of constituents; and (ii) on whose information service recipients or resource providers are dependent for accountability or decision-making purposes (see IPSAS-CF para. 4.3).

119. Additionally, as already noted by the IPSASB staff paper on *Climate Change: Relevant IPSASB Guidance* (2020), it is recommended to implement sustainability reporting jointly with RPG 1 and 3. RPG are pronouncements that provide guidance on good practice in preparing GPFR. For example, RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*, provides guidelines on reporting the impact of current policies and decisions on future inflows and outflows, and RGP 3, *Reporting Service Performance Information*, provides guidance for reporting on the services provided by the entity, its service performance objectives, and the extent to which those objectives have been achieved. Unlike climate-related disclosures, RPGs are non-authoritative. Therefore, it is necessary to adopt the RPG into the current regulatory framework to ensure proper alignment of sustainability reporting with the RPGs.

Recommendation 5. Integrate sustainability reporting with IT systems.

120. The IT systems required for sustainability reporting are likely to be similar to those used for consolidation purposes of GPFS, as the reporting entity needs to collect and process information from the entities included in the sustainability consolidated report (the definition of reporting entity is included in Recommendation 4 of the transition phase). Therefore, it is essential to adjust existing IT systems and assess whether new IT developments are necessary. For example, Brazil intends to build a system based on its existing financial consolidation system, while some private sector entities use separate systems tailored to meet sustainability reporting needs.

Recommendation 6. Define accountability and assurance mechanisms.

121. Clear accountability mechanisms for sustainability reporting need to be defined at jurisdictional level. These relate to the responsibility for preparation and presentation of reports (e.g., by the ministry of finance), as well as their eventual formal approval (e.g., by the legislature). As with the governance arrangements outlined in Recommendation 5 of the preparation phase, these mechanisms should build on the significant progress, synergies, and lessons that governments have already gained through the implementation of financial reporting. Therefore, accountability mechanisms should recognize that sustainability reporting is part of the GPFR and is closely connected to, but remains different from, the GPFS. Additionally, the involvement of senior executives is essential. They must be accountable for advancing sustainability initiatives and ensuring that the quality, reliability, and timeliness of sustainability reports meet the expectations of users and stakeholders.

122. To support transparency and accountability, sustainability reporting should be subject to some form of assurance. Initially, this is likely to be limited assurance, as both preparers and auditors have limited experience in the area. Over time, reasonable assurance should be envisaged. Standards or guidance for the assurance of sustainability-related information need to be adopted and developed alongside the sustainability reporting project to provide the supreme audit institution (or other auditors) appropriate guidance in an area which is new to them. ISSA 5000 should be used as a basis, although its inclusion in the ISSAI pronouncements is not yet decided. At national level, the adoption may be direct or indirect, as for the financial reporting standards.

Recommendation 7. Roll out pilot implementation in selected entities.

123. The best way to understand and assess the actual implications of implementing sustainability reporting in public sector is through the piloting application of existing sustainability reporting standards. This is a perfect opportunity to text the new framework, data collection processes, governance arrangements, and accountability mechanisms. Especial attention during this exercise should be paid to identification of any potential weaknesses and areas for further implement, including the aspects related to stakeholders commitment, communication channels, and existing institutional capacities.

Recommendation 8. Manage change and build capacity.

124. Change management and capacity building strategies are necessary for the implementation of sustainability reporting. These strategies should be incorporated into the overall reform strategy and align with stakeholders' interests. For example, some entities may only be involved in data collection, while the entity responsible for preparing the report will need to consolidate, analyze, and prepare the information for publication. When defining and developing capacity building activities, the IES amendments should be taken into account, ensuring alignment with the existing system of professional education of accountants and auditors. Additionally, internal capacity building is needed to support the long-term sustainability of the reform, as well as the design and configuration of the IT-systems used.

125. The development of IPSAS, ISSA, and IES help to clarify the respective requirements. The new international standards have the potential to serve as a basis to develop change management and capacity building strategies. Capacity building is likely to be needed to support both financial reporting professionals, who typically have little knowledge about sustainability, and sustainability specialists, who may have little knowledge about financial reporting.

Recommendation 9. Establish communication channels.

126. The implementation of sustainability reporting should be communicated both within and outside the government. Existing communication platforms can simultaneously enhance reach and impact, and promote clear, timely, and consistent messaging, which will support the success and long-term sustainability of the reform. Internal communication should focus on articulating the expected outcomes of the reform, outlining the tasks associated with each reform phase, and providing clear guidance on roles, responsibilities, timelines, and progress. Effective internal communication fosters ownership, promotes alignment across departments and entities, and encourages active engagement from staff and leadership throughout the implementation process. External communication should focus on engaging key stakeholders' commitment (see Recommendation 4 of the preparation phase) and reinforcing their commitment (Recommendation 3 of the transition phase) by articulating the expected reform outcomes and facilitating ongoing consultation processes. Effective external communication builds trust and helps ensure the sustainability reporting reform is responsive to the needs of the users, it also helps to identify and build strong alliances that can actually deliver solutions to address climate related topics.

Recommendation 10. Secure effective monitoring and evaluation processes.

127. To ensure the successful implementation of climate-related disclosures, it is essential to establish robust monitoring and evaluation processes during the transition phase. This requires guaranteeing that the reform strategy and timeline defined in the preparation phase are effectively executed, with continuous tracking of progress to identify and address difficulties in a timely manner. Specifically, monitoring and evaluation includes overseeing the execution of activities by the competent institutions driving the reform (in line with Recommendation 3 of the preparation phase and Recommendation 6 and 7 of the transition phase); the development, adoption, and amendment of regulations (in line with Recommendation 1 of the transition phase); the integration of the sustainability requirements with data collection and management platforms and IT systems (in line with Recommendations 2, 4 and 5 of the transition phase); as well as timely identification of challenges or bottlenecks, followed by corrective measures.

4.3. Utilization phase

128. Once the transition phase is complete and the necessary systems, processes, and capacities have been put in place, the utilization phase begins. This phase marks the full operationalization of sustainability reporting within public sector entities. It represents the shift from planning and preparation to ongoing operational practice, embedding sustainability reporting into the annual reporting cycle and integrating it into governance, management, and accountability processes. During this phase, public sector entities begin to produce, submit, publish, and make use of sustainability reports in accordance with the established requirements.

129. Ideally, this phase follows a regulatory timeline, with a clearly defined start date for reporting and a target year for the presentation of the first sustainability report. These milestones help promote consistency and comparability across public sector entities.

130. Moreover, the utilization phase should be dynamic and iterative, requiring an ongoing commitment to improve the quality, relevance, and usefulness of reported information. Notably, it must ensure the long-term sustainability of the new reporting practices. Sustaining the impact of sustainability reporting over time requires public sector entities to implement feedback mechanisms, continuously evaluate and improve their reporting processes, and ensure that the information generated actively supports decisions related to public investments, service delivery, and climate resilience.

131. Consequently, the utilization phase goes beyond compliance. It is also the phase where sustainability reporting demonstrates its full value. By disclosing climate-related information, public sector entities contribute to the effective measurement and monitoring of public sector climate-related policies and programs, the identification of climate-related risks and opportunities for the public sector, and the management of climate-related concerns at the public sector entity level.

Recommendation 1. Continue improving and evaluating the reform process.

132. Sustainability reporting standards and best practices are evolving as global awareness of environmental, social, and governance issues grows. To remain aligned with the emerging frame-

works and expectations, public sector entities must actively monitor and incorporate relevant developments in sustainability reporting at both international and national levels. This includes not only reviewing updates to the IPSAS SRS or other applicable regulation, but also engaging with professional bodies and examining peer reporting initiatives. Regular monitoring of these developments allows entities to anticipate changes, integrate new requirements smoothly, and maintain the relevance and credibility of the reports.

133. Additionally, as sustainability reporting systems mature over time, the regulatory environment must be flexible enough to accommodate refinements or innovations and implement feedback mechanisms. For example, developing and disseminating additional guidance material (such as technical manuals, standardized methodologies, or toolkits) might be helpful to assist public sector entities in interpreting requirements and applying them consistently. This should be complemented by feedback mechanisms that allow entities to share experiences and suggestions for improvement. Such feedback can also inform future revisions of the guidance and foster a culture of continuous learning. Overall, there measures enhance comparability, reduce uncertainty, and support the ongoing evolution of sustainability reporting.

Recommendation 2. Scale up from pilot applications.

134. Once sustainability reporting has been completed in a pilot group of entities (if decided in accordance with the Recommendations 7 of the preparation and transition phases), a structured and strategic scale-up plan should be developed to extend the application of the sustainability requirements reporting across the entire public sector. The plan should build on the lessons learned from pilot entities to refine guidance and address implementation challenges. Recommendations from the preparation and transition phases are also important considerations for developing such plan.

Recommendation 3. Use reporting outcomes in decision-making.

135. The ultimate value of sustainability reporting lies in its ability to inform and influence policy and operational decisions. Public sector entities should establish formal mechanisms to ensure that the information produced through sustainability reports is actively used in budgeting, strategic planning, risk management, and service delivery. Integrating sustainability data into decision-making processes enhances the alignment of public investments with environmental and social goals, supports risk mitigation related to climate and sustainability challenges, and improves overall governance and accountability. This feedback loop also reinforces the importance of accurate and transparent reporting.

CHAPTER

5 CONCLUSIONS

136. The development of international standards for the disclosure of climate-related information will undoubtedly have implications for public sector entities in the near future. The increasing emphasis on sustainability reporting reflects a broader recognition that traditional GPFS fail to provide a comprehensive view of the public sector entities performance and long-term sustainability.

137. While GPFS primarily focus on financial information, they also include some non-financial elements, such as risk management strategies related to financial instruments. However, sustainability reporting goes further by addressing a wider and more complex range of issues related to environmental, social, and governance factors. At the regulatory level, discussion has started on the actions to mitigate climate change and the long-term impact on the viability of public sector entities, resulting in the issuance of IPSAS SRS ED 1 on Climate Related Disclosures. This shift represents an innovation in how governments communicate their performance, build alliances, and hold themselves accountable to their stakeholders, with important practical implications for public sector entities and practitioners. Once approved and issued, the application of the standard will strengthen governance, enhance accountability, and support informed decision-making.

138. IPSAS SRS ED 1 presents the principles for a public sector entity to disclose information about climate-related risks and opportunities, both in relation to its own operations and outcomes of its climate-related public policy programs. Specifically, some expected outcomes of its application are: (i) the measurement and monitoring of public sector climate-related policies and programs; (ii) the identification of climate-related risks and opportunities for the public sector; and (iii) the management of climate-related concerns at the public sector entity level.

139. Climate-related disclosures will not be the only sustainability reporting standard. The IPSASB plans to issue an entire suite of sustainability standards in the future (IPSASB, 2023), although the topics or issues to be addressed have not yet been officially announced. In terms of scale, sustainability reporting in the public sector is likely to be similar to other complex and comprehensive financial reporting topics, such as the consolidation of SOEs or measurement of public sector financial instruments and non-financial assets. However, waiting for the development of additional standards, a process likely to span several years, risks unnecessary delays in addressing critical sustainability issues such as climate change.

140. Modifications to additional regulatory frameworks addressing sustainability issues, including those from the private sector, are expected to have implications in the public sector. The IAASB has released a new overarching standard for assurance on sustainability reporting, although no official INTOSAI pronouncement has been issued. Additionally, the IFAC has revised the IES to update the competencies required for performing sustainability-related services, both in preparer and auditor. The final IES pronouncements have been published and will become effective for implementation in July 2026. Similarly, ongoing budget reforms and future developments on GFS should align with the recent sustainability reporting initiatives.

141. Although early initiatives across the globe reveal significant differences in reporting practices, particularly in terms of maturity, approaches, and rationales (see **Chapter 3**), jurisdictions, including those mentioned in this note are monitoring the IPSAS SRS ED 1 to inform potential issuance or revision of their own sustainability reporting practices and frameworks.

142. The successful implementation of the standards requires a well-structured approach. This knowledge product includes key recommendations grouped into three broad themes: the preparation phase, the transition phase, and the utilization phase. The preparation phase encompasses the strategic activities required to decide on the adoption of sustainability reporting in the public sector. The transition phase involves the operational activities needed to implement the sustainability reporting requirements. The transition phase concludes with the full application of these requirements. The utilization phase refers to the ongoing process of producing, publishing, and using sustainability reporting in according with the established requirements. The recommendations for each phase are included in the **Chapter 4**.

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