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Introduction

Climate change has emerged as a critical macroeconomic and fiscal challenge, with far-reaching implications for governments worldwide. Damage to public infrastructure due to extreme weather events, rising expenditure on disaster resilience and response, declining public health on account of air and water pollution, declining workforce productivity, and transition pressures associated with decarbonisation are significantly affecting public finances. At the same time, the transition to a low-carbon economy presents opportunities for sustainable growth, improved resource efficiency, and long-term socio-economic resilience.

IPSASB SRS 1 Climate-Related Disclosures Standard: A Breakthrough in Public Sector Financial Reporting

The issuance of Sustainability Reporting Standard (SRS) 1, *Climate-related Disclosures*, by the International Public Sector Accounting Standards Board (IPSASB) marks a significant development in public sector financial reporting. The Standard introduces a structured framework for disclosing climate-related risks and opportunities within General Purpose Financial Reports (GPFs). This article examines the key features of SRS 1, its alignment with global sustainability frameworks, its relevance for Indian public sector entities, and the emerging role of Chartered Accountants (CAs) in implementation, reporting, and assurance. The Standard is applicable from 1 Jan 2028, with early adoption permitted. It provides temporary relief from Scope 3 disclosures during the first three annual reporting periods following initial adoption.

In this evolving landscape, stakeholders require reliable and relevant information on how governments identify, manage, and respond to climate-related risks and opportunities. From a financial reporting perspective, this may include information on asset impairment, increased provisioning, contingent liabilities, elevated operating costs, and increased revenue uncertainty. Recognising this need, the International Public Sector Accounting Standards Board (IPSASB) issued SRS 1 in January 2026. A structural approach for incorporating the climate-related information into the General Purpose Financial Reports (GPFs) is established by the SRS 1, which shall also strengthen the transparency, accountability, and fiscal decision-making.

Climate-related Disclosures in Public Financial Reporting

SRS 1 provides a comprehensive framework for reporting climate-related risks, opportunities, governance structures, and performance metrics within GPFs. By embedding such disclosures into mainstream financial reporting, the Standard moves public sector reporting beyond narrative sustainability statements towards structured, fiscally relevant information. This shift is particularly important in the public sector, where financial reporting serves not only investors but also citizens, legislators, and other stakeholders concerned with the stewardship of public resources and delivery of public services.

Significance in Public Financial Management

Climate change affects fiscal sustainability in multiple interconnected ways:

- **Increased public expenditure:** Rising frequency and intensity of climate events necessitate higher spending on disaster relief, rehabilitation, crop insurance, and other adaptation measures, thereby straining government budgets. It is feared that climate change could push up to 132 million people into extreme poverty by 2030, increasing demand for government support¹.
- **Capital investment needs:** Governments are increasingly compelled to make critical infrastructure such as roads, coastal systems, and water management networks climate-resilient. It is expected that developing countries will require approximately US \$ 4.5 to 5.4 trillion annually by 2030 for infrastructure, with a substantial portion of it needed for climate resilience².
- **Revenue volatility:** Disruptions in agriculture, fisheries, and tourism on account of extreme weather events and disasters lead to wide variations in tax as well as non-tax revenues for governments. By 2050, climate change could reduce global gross domestic product (GDP) by 11 to 14%, significantly weakening government revenue bases³.
- **Long-term fiscal risk:** Slow economic growth on account of persistent climate shocks and

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transition risks can take public debt to unsustainable levels. Without adequate climate action, cumulative global economic losses are estimated to reach \$23 trillion between 2030 and 2050⁴.

In this context, climate considerations become integral to fiscal risk management. While frameworks such as Public Expenditure and Financial Accountability (PEFA)

Climate⁵, International Monetary Fund's Climate Public Investment Management Assessment (C-PIMA)⁶, and World Bank's Disaster Risk Reduction – Public Financial Management (DRR-PFM)⁷ assess climate responsiveness of public financial management systems from multiple perspectives, they are demand driven and address specific requirements. SRS 1 integrates climate-related disclosures directly into general purpose financial reporting. This enhances the relevance of such disclosures for budgeting, risk assessment, and policy evaluation. It also establishes a common benchmark for reporting climate-relevant information in financial reports.

Overview of SRS 1

SRS 1 introduces a structured approach to climate-related disclosures, organised around four core pillars: Governance, Strategy, Risk Management, and Metrics and Targets. Together, these pillars provide a coherent framework for understanding how public sector entities identify, assess, and respond to climate-related risks and opportunities.

While SRS 1 is a new Standard and direct disclosures under it are still evolving, comparable climate-reporting practices can be observed in the sustainability reports of Indian public sector undertakings. Illustrative examples from such reports are presented below to demonstrate how entities are already aligning with the intent of the framework.

¹ World Bank – Climate Change & Poverty (132 million estimate) <https://www.worldbank.org/en/topic/health/brief/health-and-climate-change>

² Infrastructure Investment / Climate Resilience (World Bank context) <https://thedocs.worldbank.org/en/doc/0bc5c8591fed68d4c1750fece2948d3-0020012021/original/COP26-ClimateBrief-AdaptationResilience-Final-2610.pdf>

³ Swiss Re Institute, The Economics of Climate Change (2021). <https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html>

⁴ Deloitte, The Turning Point: Climate Change and Economic Growth (2022). <https://www.deloitte.com/na/en/issues/climate/global-turning-point.html>

⁵ PEFA Climate, Supplementary Framework for Assessing Climate Responsive Public Financial Management, PEFA. <https://www.pefa.org/resources/supplementary-framework-assessing-climate-responsive-public-financial-managemen>

⁶ C-PIMA, Climate-Public Investment Management Assessment, International Monetary Fund. <https://infrastructuregovern.imf.org/content/PIMA/Home/PimaTool/C-PIMA.html>

⁷ Disaster Resilient and Responsive Public Financial Management: An Assessment Tool, World Bank. <https://www.gfdrr.org/en/publication/disaster-resilient-and-responsive-public-financial-management-assessment-tool>

i. Governance

Entities must disclose oversight mechanisms and management responsibilities relating to climate risks and opportunities.

Example: IOCL's BRSR 2024-25⁸ describes an interdivisional Corporate Climate Action Committee that sets internal targets, evaluates new projects for alignment with mitigation plans, and monitors progress in line with the Company's net zero commitment.

ii. Strategy

Entities must explain how climate-related risks and opportunities influence their objectives, strategic and financial planning, and service delivery.

Example: BHEL's Sustainability Report 2021-22⁹ describes a strategic approach that extends beyond reducing its own operational carbon footprint to conducting research for products with lesser ecological impact across their lifecycle.

iii. Risk Management

Entities must disclose processes for identifying, assessing, and managing climate-related risks, including integration with overall risk management frameworks.



“SRS 1 is closely aligned with International Financial Reporting Standard (IFRS) S2 issued by the International Sustainability Standards Board (ISSB) and is conceptually consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).”

Example: IOCL's BRSR 2024-25 identifies climate adaptation, resilience, and transition as a climate-related opportunity and describes how it manages this through renewable energy investments and enhanced energy efficiency across its supply chain.

iv. Metrics and Targets

Entities must disclose quantitative indicators such as greenhouse gas (GHG) emissions, along with targets and performance against them.

Example: BHEL's Sustainability Report 2021-22 notes that Scope 1 and Scope 2 emissions are tracked using UNFCCC protocols¹⁰ and India-specific emission factors, while Scope 3 emissions are yet to be captured.

Alignment with Global Frameworks

SRS 1 is closely aligned with International Financial Reporting Standard (IFRS) S2 issued by the International Sustainability Standards Board (ISSB) and is conceptually consistent with the recommendations

of the Task Force on Climate-related Financial Disclosures (TCFD). All three frameworks adopt a common structure centred on governance, strategy, risk management, and metrics. However, SRS 1 is specifically tailored to the public sector context, where the objective extends beyond investor decision-making to include accountability for public resource utilisation and service delivery outcomes.

Key Differences between SRS 1 and IFRS S2

While maintaining global alignment, SRS 1 incorporates distinct public sector considerations:

i. User focus

IFRS S2 primarily serves investors and lenders, whereas SRS 1 addresses a broader stakeholder base, including citizens, legislators, existing and potential service recipients, and providers of goods and services to government.

ii. Materiality

IFRS S2 applies financial materiality based on impact on cash flows and financial performance. SRS 1 adopts a broader perspective, considering discharge of accountability and stewardship of public resources.

iii. Whole-of-government perspective

SRS 1 is expected to expand beyond entity-level disclosures to include reporting on climate outcomes of public policies and programmes, reflecting a whole-of-government perspective.

iv. Long-term impact

Reporting extends beyond annual cycles to consider intergenerational impacts and sustainability of public finances.

v. Cross-government coordination

Climate risks span multiple sectors, requiring integrated reporting across departments.

⁸ Indian Oil Corporation Limited (IOCL) BRSR 2024-25 https://iocl.com/uploads/IndianOil_BRSR2425.pdf

⁹ Bharat Heavy Electricals Limited (BHEL) Sustainability Report 2021-22 <https://www.bhel.com/sites/default/files/2026-01/Sustainability%20Report%202021-22.pdf>

¹⁰ United Nations Framework Convention on Climate Change (UNFCCC) <https://unfccc.int/>

vi. Policy and investment linkages

Climate outcomes arise from both policy measures and public investments, necessitating combined disclosure of their fiscal implications.

Implementation Timeline and Challenges

SRS 1 becomes applicable for reporting periods beginning on or after January 1, 2028, with early adoption permitted. Recognising the resource-intensive nature of climate reporting in public sector, the Standard provides temporary relief from Scope 3 GHG emission disclosures during the first three annual reporting periods after initial application.

Despite its robust framework and the phased adoption timeline, the implementation of SRS 1 presents several challenges, which include:

- **Data quality:** Government entities often use multiple, fragmented digital platforms across programmes, making it difficult to obtain reliable, consistent, organisation-wide climate data, particularly for Scope 3 emissions.
- **Institutional coordination:** Climate-related information typically resides across various departments. This challenge is especially acute for sub-national



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governments that simultaneously manage their own programmes and also implement programmes of higher-level governments.

- **Capacity constraints:** Climate and environment matters have traditionally been managed by specialised ministries. Most government accounting personnel lack expertise in climate risk assessment, which may lead to weak estimation methodologies and inconsistent application.
- **System integration:** Existing financial reporting systems are not equipped to capture climate-related data. Without integration, climate information remains siloed from financial data, undermining the core objective of SRS 1.
- **Measurement complexity:** Quantifying climate risks involves significant estimation, assumptions, and judgment, especially in the absence of historical data and standardised methodologies, creating challenges for audit and stakeholder scrutiny.
- **Audit and assurance:** The evolving nature of climate disclosures and reliance on estimates and third-party data make it difficult for auditors of GPFs to verify completeness, accuracy, and consistency.

These challenges can be addressed through phased implementation, capacity building, and improved coordination mechanisms between finance and climate professionals.

Implications for Indian Public Sector Entities

India has committed to ambitious climate goals, including achieving net-zero emissions by 2070. The country has introduced policy frameworks such as National and State Action Plans on Climate Change, mandated emission intensity targets for specific industries, and has launched a centralised carbon trading platform. Specifically in the sphere of sustainable public financial management, initiatives such as climate budgeting and Sustainable Development Goals (SDG) budgeting are gaining traction.

To encourage adoption, IPSASB has made SRS 1 public sector financial reporting framework-agnostic. This makes it possible for countries like India to adopt the Standard even though the country has not adopted the main set of International Public Sector Accounting Standards (IPSAS). Government entities that can adopt SRS 1 include the Union Government, state governments, urban local governments, public sector undertakings, and other government institutions. Institutions such as the Comptroller and Auditor General of India – India’s Supreme Audit Institution and the Controller General of Accounts can play a key role in driving adoption.

Potential Benefits

Adoption of SRS 1 can deliver several benefits for government entities. These include:

- Improved budget credibility through better identification and costing of climate risks.
- Enhanced fiscal risk management via structured disclosure of uncertainties and contingent liabilities.

- Strengthened public investment decisions by integrating climate considerations into project planning and evaluation.
- Greater transparency and accountability in climate-related expenditure.
- Improved access to green and climate finance arising from enhanced investor confidence on account of transparent climate disclosures.

Climate-related Disclosures: Illustrative Example

Consider a coastal state government vulnerable to rising sea levels and increased cyclone frequency. Under SRS 1, it would disclose:

Risks: Estimated potential damage to ports and roads from severe cyclones; projected annual disaster relief expenditure; increased insurance and rehabilitation costs due to coastal flooding.

Strategy: Planned investments in sea walls, early warning systems, and disaster preparedness over the short, medium, and long term.

Metrics: Value of assets retrofitted for climate resilience; percentage of infrastructure located in high-risk coastal zones.



Targets: Retrofitting X% of port infrastructure with flood-resilient design by 2030; reducing annual climate-related losses by ₹X crore over the next ten years.

Such disclosures enable stakeholders to assess fiscal exposure and effectiveness of policy responses.

Role of Chartered Accountants

SRS 1 implementation presents significant opportunities for Chartered Accountants across the following areas:

- **Advisory:** Designing climate reporting frameworks and aligning them with existing financial reporting systems.
- **Reporting:** Ensuring consistency between climate disclosures and financial statements, particularly for provisions, contingent liabilities, and asset valuations.
- **Assurance:** Applying audit capabilities for providing independent assurance on climate disclosures.
- **Risk assessment:** Applying risk management thinking to the identification, quantification, and disclosure of climate-related risks.
- **Capacity building:** Training government officials across finance and non-finance functions to build institutional capability for sustained high-quality reporting.

Way Forward

SRS 1 represents the first phase of climate-related reporting in the public sector. Future developments are expected to include (i) expansion to policy-level reporting and evaluation of climate outcomes of government programmes, making the linkages between policies, programmes, and climate impacts clearer, (ii) integration with budgeting and fiscal planning processes, which will help in better resource allocation and expenditure efficiencies, (iii) development of

standardised metrics and sector-specific indicators to aid performance management and benchmarking, and (iv) greater global convergence with sustainability reporting frameworks, enabling cross-border performance assessments and finance flows for climate action.

Conclusion

The introduction of SRS 1 marks a transformative step in public sector financial reporting. By embedding climate-related disclosures within GPFs, the Standard enhances the relevance of financial reporting for fiscal risk management and policy decision-making. Its alignment with global frameworks, combined with public sector-specific adaptations, ensures both comparability and contextual relevance. While implementation challenges exist, the potential benefits in terms of transparency, accountability, and fiscal resilience are substantial. For India, SRS 1 presents an opportunity to strengthen public financial governance by integrating climate considerations into reporting systems. Chartered Accountants will play a crucial role in enabling this transition and ensuring the credibility of climate-related disclosures.

References

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