

**Nathalie Matthijs**

Director  
NATO Office of Resources

24/02/2025  
NOR(DIR)(2025)0019

To : Ian Carruthers, Chair, International Public Sector Accounting Standards Board (IPSAS Board)  
From : Director, NATO Office of Resources/Head of Financial Reporting Policy  
Cc : Assistant Secretary General, Executive Management  
Chair, Working Group of Financial Controllers  
Chair, Accounting Working Group  
Programme Manager, Innovation, Hybrid and Cyber Division

Dear Mr Carruthers,

Subject: ***Comments on the Exposure Draft 1 – Climate-related Disclosures***

I would like to thank the IPSAS Board for the opportunity to comment on the Exposure Draft 1 Climate-related Disclosures, in NATO's role as observer. In this respect, please find attached our comments, for your consideration.

The letter reflects the comments of the NATO subject matter experts.

Yours sincerely,  
(Signed) Nathalie MATTHIJS

Director  
NATO Office of Resources



## Comments from NATO

**Specific Matter for Comment 1: Public sector operations and regulatory role (paragraphs 1-4)** - *Do you agree the proposed approach meets the information needs of primary users? If not, what alternative approach would you propose and why?*

Comment 1: Yes. Underpinning the approach of this Exposure Draft (ED) is materiality – consideration of qualitative and quantitative sustainability considerations of relevance to the organization. This ED seeks to ensure that organizations integrate climate change considerations into decision-making, as opposed to simply disclosing the different emissions scopes. In this way, it is a welcomed move towards ‘triple bottom line’ accounting, i.e., where accounting addresses more than purely direct financial information. Amongst other factors, this ED looks at climate risk assessment, scenarios, value chains, integration of climate change into strategy, the impact of policy making and monitoring of policy, research and technological advancement, communication campaigns, behavior change, procurement processes, in addition to GHG target setting, data collection/validation and progress reporting. This would be a supportive framework to help facilitate NATO’s own work on mainstreaming climate change into its various functions.

**Specific Matter for Comment 2: Own Operations (Appendix A1: Application Guidance – Own Operations)** - *Do you agree that the ED aligns disclosure requirements with private sector guidance (IFRS S1, IFRS S2)? If not, what alternative approach would you propose and why?*

Comment 2: Yes. However, full alignment of climate-related disclosure requirements with private sector guidance may not be possible for defence organizations, due to the nature of their operations (please refer to our comments in SMC 3 below).

**Specific Matter for Comment 3: Scope of Public Policy Programs (paragraph 3 and AG2.4–AG2.6)** - *This ED requires disclosures about public policy programs with a primary objective to achieve climate-related outcomes. Do you agree with this approach and the scope of public policy programs included in required disclosures? If not, what alternative approach would you propose and why?*

Comment 3: NATO has set a baseline year of 2019 from which it has calculated its trajectory to net zero emissions by 2050 for the NATO Enterprise (this does not include Allies’ national assets). In addition, NATO does not currently disclose GHG emissions data publicly. Disclosing detailed data on GHG emissions by location and activity could pose a security risk. While following the new standard could be technically feasible, public reporting would be limited or even impossible for defence organizations such as NATO. Consequently, for security reasons, some organizations may need to establish scope limitations.

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

*This ED provides public sector-specific definitions and related guidance for public policy programs, public policy programs outcomes, climate-related public policy programs. Do you agree with the proposed public sector-specific definitions and guidance? If not, what alternative approach would you propose and why?*

Comment 4.1: Regarding public sector-specific definitions:

- there is no definition of ‘climate adaptation’ as such, therefore it may be interesting to include it;
- the definition of ‘Climate Resilience’ makes reference to the capacity to manage climate-related risks: we suggest to replace ‘manage’ by ‘mitigate’;
- definition of ‘climate-related policy programs’ is unclear;
- definition of ‘climate-related opportunities’ includes some reference to adaptation; as already indicated, a separate definition on ‘climate adaptation’ would make it clearer. Climate adaptation is the key answer to climate change, beyond taking note of the risks and opportunities derived from it.
- climate-related transition risks: there is no reference to financial aspects mentioned. Transition may carry important financial risks and this needs to be acknowledged.

Comment 4.2: Regarding guidance, climate-related disclosure requirements may not be possible for defence organizations (such as NATO), due to the nature of their operations (please refer to comments in SMC 3 above). **Specific Matter for Comment 5: Strategy for Climate-related Public Policy Programs (paragraphs 12 and AG2.24–AG2.31) -** *Do you agree that the disclosure requirements on strategy for climate-related public policy programs meet the information needs of primary users? If not, what alternative approach would you propose and why?*

Comment 5: This can be an opportunity for NATO to promote its policy on climate adaptation for defence among its Allies and become a model to follow. However, some security aspects may limit the possibility of achieving it.

**Specific Matter for Comment 6: Metrics and Targets for Climate-related Public Policy Programs (paragraphs 26–27 and AG2.34–AG2.44) -** *Do you agree these disclosures meet the information needs of primary users of the report (see paragraph 26)? If not, what alternative approach would you propose and why?*

Comment 6: Please refer to the above SMC 3.

**Specific Matter for Comment 7: Conceptual foundations (paragraphs B2–B15) -** *Do you agree that the proposed definition of materiality based on IPSASB Conceptual Framework meets the information needs of primary users for climate-related disclosures? If not, what alternative approach would you propose and why?*

Comment 7: Yes. However, for some defence organizations, disclosure requirements may not/cannot be fully complied with due to security aspects (despite materiality).

**Specific Matter for Comment 8: General requirements (paragraphs B16–B46)** - *Do you agree that the disclosure requirements proposed in the general requirements are appropriate for public sector entities? If not, what alternative approach would you propose and why?*

Comment 8: In general, yes. However, for organisations as NATO, where many of the activities related to climate-related risks disclosures are within classified domains as they are linked to operations, the full compliance with this standard is not possible.

**Specific Matter for Comment 9: Transition (paragraphs 30–33)** - *Do you agree that the proposed transition provisions approach should be applicable to both own operations and climate-related public policy programs? If not, what alternative approach would you propose and why?*

Comment 9: A solution to the implementation of this standard could be a longer transition period, 3 years instead of 1 year. This would allow organizations to assess the feasibility of full implementation (to understand better what can be reported and in which manner). The standard should include a derogation to its implementation, in case (as a result of a formal assessment) the full implementation/compliance with the standard would jeopardize the organization's operations, in the areas of security and defence.

**Specific Matter for Comment 10: Other Comments** - *Do you have any other comments on the proposed ED?*

Comment 10.1: Please clarify how the standard will apply to organisations that do not recognize the impact of climate change in their organization and policies. Will there be an exemption to implementation in this case?

Comment 10.2: The adoption of certain disclosures requires an in-depth analysis of each organization's activities and most probably some scope limitations for security reasons.

**Objective, Page 7, paragraph 1:** *“The objective of this [draft] Standard is to provide principles for an entity to disclose information in its general-purpose financial reports about climate-related risks and opportunities to its own operations, and outcomes of its climate-related public policy programs, that is useful to primary users for accountability and decision-making purposes”.*

Comment 10.3: Although primary users are described in B.AG28, please consider disclosing information on climate-related risks and opportunities to own operations and outcomes of climate-related public policy programs to the general public, as it might be useful for all interested readers, and not only primary ones.

**Governance, Page 11, paragraph 8:** *“The objective of climate-related disclosures on governance is to enable primary users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee”.*

Comment 10.4: Please consider rephrasing or clarifying the difference between ‘monitor’ and ‘oversee’ (in paragraph 9 or in a footnote).

**Strategy, Page 12, paragraph 10:** *“The objective of climate-related disclosures on strategy is to enable primary users of general purpose financial reports to understand an entity’s strategy for managing: (a) Climate-related risks and opportunities to its own operations; and (b) Climate-related public policy programs and their outcomes”.* 11(d): *“The current and anticipated effects of those climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period and over the short, medium and long term (see paragraphs AG1.30–AG1.38)”.*

Comment 10.5: Please consider explaining how entities should proceed in case they do not have a strategy for managing climate-related risks and opportunities and climate-related public policy programs and their outcomes. Please consider adding an explanation, if it is necessary to disclose the effects on financial position, financial performance and cash flow for short, medium and long-term period in a strategy, as per paragraph 11 (d), and then to repeat the same in the financial report.

**Risk and Outcome Management, Page 13, paragraph 13:** *“The objective of climate-related disclosures on risk and outcome management is to enable primary users of general purpose financial reports to understand an entity’s processes to identify, assess, prioritize and monitor: (a) Climate-related risks and opportunities to its own operations, including whether and how those processes are integrated into and inform the entity’s overall risk management process; and (b) Anticipated and unanticipated challenges to the achievement of the intended outcomes of the climate-related public policy programs, including whether and how those processes are integrated into and inform the entity’s overall risk management process”.*

Comment 10.6: Please consider adding some illustrative examples of ‘unanticipated challenges’ as it leaves room for different interpretations.

**Application Guidance – Own Operations, Page 25, AG1.37:** *“In addition, an entity need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information”.*

Comment 10.7: Please consider clarifying if the lack of skills, capabilities or resources might apply to any other climate-related reporting requirements or it is limited to the provision of quantitative information about the anticipated financial effects of climate-related risks and opportunities.