

## **IPSASB SRS Exposure Draft 1, Climate-related Disclosures**

**Organization or Name:** UK National Audit Office

**Region/Country:** United Kingdom

**Exposure Draft Group:** Audit Institutions

## IPSASB SRS 1 ED Climate-Related Disclosures

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#### **Specific Matter for Comment 1**

##### **Public sector operations and regulatory role - paragraphs 1-4**

*This Exposure Draft (ED) requires a public sector entity to provide disclosures about (i) the climate-related risks and opportunities that are expected to affect its own operations, and (ii) climate-related public policy programs and their outcomes when an entity has responsibility for those programs and their outcomes (see paragraphs 3 and AG2.7-AG2.8).*

***Do you agree that the proposed approach meets the information needs of primary users (see paragraphs 1-4)? If not, what alternative would you propose and why?***

*The ED includes an Alternative View on the approach to climate-related public policy programs.*

#### Response summary

We support the broader scope of reporting required by the standard which goes beyond a narrow definition of own operations and encompasses reporting for public policy programmes. We consider it essential to have a broader scope for sustainability reporting to meet user needs and deliver value. We do not support the alternative view that advocates for decoupling the guidance on public policy programmes because of the impact on delaying the availability of guidance with a broader scope.

We note that the approach proposed by IPSASB differs from the approach to TCFD aligned reporting being implemented in the UK. Whilst recognising that the different approaches will have benefits and disadvantages, and are not yet tested, we note that there are several challenges associated with the IPSASB approach which require further consideration.

#### Rationale for supporting a broad scope for reporting

We consider that it is valuable that the draft standard covers public sector entities' role as both:

- Operational entities managing climate-related risks and opportunities that affect the organisation directly
- Policy implementers with influence over climate-related outcomes through their policy and regulatory functions

We see it as essential for transparency and accountability that disclosures cover both of these aspects, as public sector bodies often have their most significant climate impact through policy. We also see considerable value in the specific disclosures required by the draft standard, which offers public sector entities a structured and comprehensive way to manage and disclose their climate-related risks and impact. The standard represents a significant step in establishing a globally consistent framework for

climate disclosures in the public sector, aligning with international efforts to strengthen climate accountability and inform decision making.

We understand the concerns in the Alternative View about the complexity of reporting on public sector policies. However, we still think it is essential for a new standard to cover this aspect of public sector entities' role. Otherwise there is a risk that implementing the standard diverts attention from ensuring entities focus on what matters most for the part they play in climate action.

#### Matters that need further consideration

We see three main potential challenges for the proposed approach, which require further consideration:

- Having separate requirements for Own Operations and climate-related public policy programmes (CRPPs) could create complexity for preparers, reduce clarity for reporting, (particularly with respect to Strategy, Risk and Governance), and increase the length of disclosures overall;
- The definition of CRPPs could exclude key risks to an entity delivering its objectives for climate and sustainability; and relatedly
- Limiting public policy disclosures to those with a primary climate objective risks overlooking those with substantial climate co-benefits or negative impacts.

These challenges arise partly because we do not see that there is a clear distinction between a public sector entity's 'own operations', as defined by the ED, and an entity's public policy role. The ED defines own operations as the activities that an entity carries out to fulfil its objectives, and points to the need for disclosures about own operations to include climate risks and opportunities related to the long-term sustainability of the services and/or programs it delivers. This implies that the definition of "own operations" extends well beyond internal administrative functions, and would logically seem to suggest that it does in fact include an entity's public policy role. It may therefore be difficult for preparers to understand what should sit in each set of disclosures, particularly for strategy and governance. This could lead to duplication in reporting and/or may dissuade entities from considering their governance, strategy and risk management for climate-related issues in a holistic way.

These challenges also arise because the draft public policy disclosures focus on reporting on the policies that an organisation *already has underway* to respond to climate change. This could be a valuable part of reporting, but if the overall purpose is to stimulate climate action in the public sector, then it is important to make sure that the disclosures place sufficient focus on the risks and opportunities associated with what an organisation *still needs to do* to ensure it understands and fulfils its public policy role in meeting national greenhouse gas emission reduction targets and building climate resilience.

#### Options for addressing these challenges

In handling these challenges we recognise the importance of striking a balance between supporting transparency and providing a clear, manageable reporting framework for public sector entities across jurisdictions.

One option for a way forward may be to do more to adopt an approach whereby the scope of reporting is defined in relation to the risks and opportunities for an entity in fulfilling its role in responding to climate change. This could include a core set of disclosures applicable to all public sector entities, alongside more detailed disclosures on the impact of climate-related public policies where this is a material issue. This approach would support in ensuring the core disclosures focus on entities' overall approach to strategy, governance, risk management for climate-related issues thereby reducing the risk of confusion and duplication.

A phased approach to disclosures on CRPPs may also help. For example, one option would be to focus on climate-related public policy programs as currently defined for a couple of years, whilst strongly encouraging organisations to work towards assessing impact of all major public policies. And then to

expand disclosures to assess and report on all policies with significant climate-related outcomes. This would help ensure a more holistic and transparent approach while giving entities time to develop their approach.

#### Considerations for the CRPP disclosures as currently drafted

We recognise that reporting on climate-related public policy programs and their outcomes is valuable for ensuring that entities are held responsible and accountable for the effectiveness of their climate initiatives. We note that the proposed disclosures have some parallels in the UK with information that the government provides through the [UK's Green Financing Allocation and Impact Report](#).

In implementing the CRPP disclosures, organisations may need further guidance on the following to make it as easy as possible for organisations to comply, and to enhance the relevance and usability of information for primary users:

- methodologies for evaluating and disclosing both short- and long-term program outcomes, including qualitative and quantitative metrics. This is because climate-related public policy programs often have complex interdependencies and long-term impacts
- delineation of roles, boundaries, and reporting expectations, where policy design and implementation responsibilities are split between entities and/or responsibilities are shared across multiple entities.
- how this reporting can be linked with existing reporting, for example national climate reporting frameworks, and other public sector sustainability reporting initiatives. Thus, if detail is already reported under other frameworks, it should be assessed if options such as cross-references (i.e., URL links) are acceptable to avoid duplication of information.

IPSASB may want to consider how arrangements for more detailed guidance ensures consistency and comparability across jurisdictions.

#### **Specific Matter for Comment 2**

##### **Own Operations (Appendix A1: Application Guidance - Own Operations)**

*The ED primarily aligns disclosure requirements about an entity's own operations with private sector guidance (IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures), with public sector guidance, including a rebuttable presumption that entities use the GHG Protocol: A Corporate Accounting and Reporting Standard (2004), unless another established method of measuring its greenhouse gas emissions is more appropriate or required by a jurisdictional authority (see paragraph AG1.72).*

**Do you agree with the proposed approach and guidance? If not, what alternative approach would you propose and why?**

#### Response Summary

We agree with the overall direction of the proposed approach and recognise the importance of aligning public sector reporting with internationally recognised frameworks. However, to ensure the guidance is both practical and effective, we recommend:

- clarifying the application of alternative methodologies to the GHG protocol
- clarifying the applicability of private sector frameworks
- more clearly addressing the unique materiality considerations in the public sector,
- and providing additional implementation support in the form of guidance, templates and examples.

These refinements will help public sector entities produce high-quality, decision-useful climate-related disclosures.

#### Clarifying the application of alternative methodologies to the GHG Protocol:

We support the rebuttable presumption that public sector entities should apply the GHG Protocol as the primary methodology for measuring greenhouse gas (GHG) emissions. This is a well-established and widely accepted standard, which helps ensure consistency across entities and jurisdictions. However, public sector entities often operate in diverse contexts, including those with jurisdiction-specific reporting requirements or established local methodologies. While paragraph AG1.72 acknowledges this flexibility, additional guidance on how entities should document and justify the use of alternative methodologies would improve transparency and comparability (for example, IPSASB could recommend a template for documenting methodology choices, ensuring consistency across reports).

Recognising that jurisdictional authorities may require specific methodologies for GHG accounting, it is important to ensure that such variations do not compromise the consistency and comparability of disclosures. The IPSASB could encourage collaboration between jurisdictions to harmonise methodologies or establish a framework for reconciling jurisdiction-specific emissions data with GHG Protocol-compliant reporting.

#### Clarifications on the applicability of Private Sector Frameworks:

Aligning with IFRS S1 and S2 ensures that disclosures remain relevant for users familiar with private sector reporting and also promote consistency and comparability across public and private sector reporting. However, public sector entities often differ significantly from private sector organisations in their objectives, governance, and resource allocation. For example, public sector entities are less likely to face market-driven climate-related financial risks, but they may have unique operational vulnerabilities or responsibilities (e.g., critical infrastructure resilience). It would be helpful for the application guidance to provide additional examples or scenarios illustrating how disclosures about operations can be adapted to reflect public sector-specific characteristics.

We do not consider it appropriate to exclude capital deployment from the list of relevant metric categories included in paragraph 29 of IFRS S2. Public sector entities must make decisions about where to allocate their funding much like private sector entities. The extent to which public sector entities are allocating their funding to climate-related issues in alignment to their stated strategy, and the ability to compare funding allocation decisions across the public sector, is likely to provide decision-useful information to key users including regulators and bodies who make decisions about the allocation of budgets between public sector entities. Examples of the kinds of metrics likely to be relevant in the public sector include: percentage of grant expenditure invested into decarbonisation schemes (including R&D); percentage of capital investment in climate adaptation (for example improving the efficiency or resilience of the public sector estate or critical national infrastructure assets.)

#### Materiality considerations in the public sector

Materiality plays a critical role in determining which information entities should disclose, yet some of the wording in the ED about materiality could be confusing for preparers. The ED defines information to be material “if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity or the decisions that primary users make [on the basis of the reporting]”. This would imply an approach to materiality that extends beyond financial implications to include broader societal, environmental, and reputational factors. But the ED also talks about aligning with the IFRS sustainability standards which focus on financial materiality. Expanding the application guidance on determining public sector materiality would be valuable for preparers and auditors, perhaps through case studies or examples.

Relatedly Paragraph 2(a) requires entities to consider the risks to “the long-term sustainability of the services and/or programs it delivers”, but paragraph 14(a) suggests that preparers only consider “climate-related risks to the entity’s long-term **fiscal** sustainability” (emphasis added). To improve coherence and consistency, we recommend the wording should make it clear that all climate-related risks to the long-term sustainability of programs are to be considered, including but not limited to fiscal sustainability. This would make the definitions consistent throughout the standard and ensure that risk and outcome management appropriately reflects the scope of public sector operations (see **SMC 1** above).

#### Practical Implementation Support:

Many public sector entities, particularly smaller or resource-constrained ones, may lack the expertise or systems required to measure and disclose GHG emissions accurately. To support implementation, we suggest that the IPSASB consider developing supplementary resources, such as sector-specific templates, worked examples, or capacity-building guidance tailored to the public sector.

Paragraph 17(vi)b requires entities to report on their financed emissions. We suggest that IPSASB should provide more specific guidance on reporting these financed emissions (beyond what is given in AG1.104) to include the variety of financing arrangements used in the public sector and the resulting divisions of financial and operational control over a given activity.

#### **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?***

*The ED includes an Alternative View on the approach to climate-related public policy programs.*

#### Response Summary

We recognise that there is value in the approach, outlined in paragraph 3 and AG2.4-AG2.6, of including specific disclosures about public policy programs with primary climate-related objectives. This provides a clear starting point for organisations to consider the climate-related risks and opportunities associated with their public policy role. However we consider that clarifications and refinements are likely to be needed to capture the complex nature of public sector climate interventions. In addition, focusing public policy disclosures only on reporting on programs with primary climate-related objectives could give a distorted picture. Many significant climate impacts arise from programs where climate outcomes are secondary or parallel objectives rather than primary ones. A more nuanced approach considering material climate impacts across all public policy programs would better serve user needs and reflect the integrated nature of climate considerations in public sector decision-making.

#### Definition of Scope

The current scope focuses on public policy programs with a "primary objective to achieve climate-related outcomes." While this provides a clear starting point there are challenges:

- Many public sector programs have multiple equal objectives
- Climate impacts may be significant even when not the primary objective
- Risk of excluding material climate-related impacts from secondary objectives

The suggested approach may exclude programs with significant climate impacts that are not explicitly designed with climate-related objectives. For example, infrastructure development, public health initiatives, agriculture support policies, which may indirectly contribute to climate adaptation or mitigation.

One way to handle this issue would be to expand the scope of reporting over time to include programs where climate-related outcomes are a significant component, even if they are not the primary objective, and provide examples to guide entities in making this determination.

Additionally, the narrowing of scope to policy programmes with climate as the primary objective limits the ability of primary users to understand trade-offs and competing policy priorities. Paragraph 9a(iv) asks bodies to disclose whether they have considered associated trade-offs in making decisions about climate-related policy programs. We suggest this be expanded to help strengthen policy consideration. Mandated disclosure under the strategy pillar of how the entity manages trade-offs between other policy priorities, or trade-offs with other parts of the public sector, would strengthen the disclosure.

#### Clarity on Responsibilities

In many jurisdictions, climate-related public policy programs are implemented through collaborative efforts involving multiple entities, often across different levels of government or with private sector partners. The ED should provide additional guidance on how entities should disclose programs where responsibilities and outcomes are shared, including how to avoid duplication or gaps in reporting.

#### Disclosures on Program Outcomes

While the ED requires disclosure of program outcomes, AG2.4-AG2.6 could provide more detailed guidance on how entities should evaluate and report these outcomes. For example:

- Differentiating between short-term, measurable outcomes and longer-term, systemic impacts.
- Guidance on reporting qualitative outcomes where quantitative measures are unavailable or impractical.
- Addressing uncertainties or challenges in attributing outcomes to specific programs, especially in areas like climate adaptation.

It would be useful to provide guidance on how this reporting can be linked with existing reporting, for example national climate reporting frameworks, and other public sector sustainability reporting initiatives. Thus, if detail is already reported under other frameworks, it should be assessed if options such as URL links is acceptable to avoid duplication of information.

#### Alternative View on Public Policy Programs

The Alternative View expressed in the ED raises concerns about the practicality and appropriateness of requiring disclosures on public policy programs. As noted in **SMC 1** above, we suggest adopting a phased approach to implementation, allowing entities to start by considering climate-related policies before progressing to a full assessment of all public policy impacts on climate.

#### **Specific Matter for Comment 4**

##### **Public Sector-Specific Definitions (paragraph 7)**

*This ED provides public sector-specific definitions and related guidance for:*

- (a) Public policy programs;*
- (b) Public policy program outcomes; and*
- (c) Climate-related public policy programs.*

**Do you agree with the proposed public-sector definitions and guidance? If not, what alternative definitions would you propose and why?**

#### Response Summary

The NAO supports the inclusion of public sector-specific definitions and guidance in the ED. These definitions provide essential clarity and ensure that the unique characteristics of public sector activities are appropriately reflected in climate-related disclosures. We broadly agree with the proposed definitions and guidance, as they establish a strong foundation for consistent and comparable reporting. However,

we suggest certain refinements to ensure the definitions are clear, comprehensive, and applicable across diverse public sector contexts.

Definition of "Public Policy Programs" (Paragraph 7(a))

The definition of public policy programs appropriately emphasises their focus on delivering public services or achieving public objectives. However, we recommend clarifying the inclusion of programs that involve partnerships or collaborations with non-governmental entities, such as private sector organisations, non-profits, or international bodies. Public sector programs often rely on multi-stakeholder arrangements (for example public-private partnerships, funding programs), and explicitly addressing this would enhance the applicability of the definition.

Definition of "Public Policy Program Outcomes" (Paragraph 7(b))

The ED as currently drafted does not distinguish between “outcomes” (i.e. specific, measurable, probably short-term effects – e.g. number of EVs) and “impacts” (i.e. broader, longer-term effect – e.g. air quality), and so it is unclear what preparers are expected to report. While BC42 suggests that the former is intended, it would be helpful to provide further guidance and worked examples to support this definition. Reporting on “impact” could be considered as reporting evolves.

We recognise that reporting on outcomes is likely to be challenging for many entities, and that this is an area that may develop over time. In the short term, we recommend that IPSASB provide additional application guidance to support entities in reporting outcomes, e.g. by providing examples of both quantitative and qualitative outcomes to account for the diverse nature of public sector programs. In the longer term, IPSASB could consider providing more detailed application guidance around issues such as:

- Differentiating between short, medium, and long-term outcomes.
- Addressing challenges in attributing outcomes to specific programs, especially in cases where external factors or interdependencies play a significant role. Where there is uncertainty behind any quantitative information, assumptions or forecasts associated with program outcomes, disclosures should report the nature and extent of this.

Definition of "Climate-Related Public Policy Programs" (Paragraph 7(c))

The definition of climate-related public policy programs appropriately focuses on programs with a primary objective to achieve climate-related outcomes. However, as climate considerations increasingly intersect with other public policy areas (e.g., health, infrastructure, education), we recommend expanding the definition to include programs with significant climate-related outcomes (as noted in **SMC 3**). This would ensure the framework captures the broader range of public sector initiatives contributing to climate adaptation and mitigation.

**Specific Matter for Comment 5**

**Strategy for Climate-related Public Policy Programs (paragraphs 12 and AG2.24-AG2.31)**

*This ED proposes disclosure requirements about an entity's strategy for climate-related public policy programs which include information that enables primary users to understand the entity's strategy and decision-making, anticipated challenges to achieving intended outcomes, and financial implications of the climate-related public policy program.*

**Do you agree that the disclosure requirements on strategy for climate-related public policy programs meet the information needs of primary users? If not, what alternative approach would you propose and why?**

Response Summary

We agree that the proposed disclosure requirements on strategy for climate-related public policy, would be valuable for meeting primary users' information needs by addressing strategy, decision-making, challenges, and financial implications. To further enhance their effectiveness, we recommend refining the



guidance to emphasise alignment with broader policy goals, structured approaches to challenges, and long-term program resilience. These refinements will ensure that the disclosures are robust, actionable, and responsive to the role public sector is responsible for.

#### Linkages to broader policy goals

Entities should explicitly connect their climate-related public policy programs to national, regional, or international climate commitments (e.g., net-zero targets, Paris Agreement objectives). This contextualisation helps primary users assess the relevance and alignment of an entity's strategy and could, for example, be incorporated into the wording of 12 (a) and (b).

#### Guidance on Strategic Objectives

The ED requires disclosures that enable users to understand the entity's strategy and decision-making processes. This is appropriate and paragraph 12 (a)-(c) sets out a helpful framework for structuring these disclosures.

There are various areas in which entities might benefit from further guidance over time to improve the consistency and depth of their reporting. Recognising the diverse nature of the public sector, we suggest IPSASB consider providing further guidance in future to help entities consider potentially relevant issues as they develop their reporting. Disclosures under 12(a)-(c) should be driven by entities' own risk assessment and strategic objectives. However, IPSASB could provide guidance covering areas entities might consider such as:

#### *Decision-making process*

- how stakeholder input informs their strategy and decision-making, given the multi-stakeholder nature of public policy programs

#### *Challenges to Achieving Outcomes*

- classifying challenges into categories such as financial, regulatory, technological, and operational. This provides users with a structured understanding of barriers to implementation.
- disclosing plans to address or mitigate these challenges, e.g. contingency plans or strategies for resource reallocation or financing plans.

#### *Financial Implications of Public Policy Programs*

- distinguishing between capital expenditures, operating costs, and potential future liabilities or savings.
- disclosing funding sources (including, e.g., any reliance on external grants, public-private partnerships, or debt issuance) to provide insight into program sustainability given political and budgetary uncertainty in the public sector

#### *Long-Term Vision and Resilience*

- how their strategies are adaptive to evolving climate risks, technological advances, and policy priorities.
- how they monitor and evaluate long-term, which would provide primary users and other stakeholders with confidence in the entity's ability to achieve intended outcomes over time.

#### **Specific Matter for Comment 6**

**Metrics and Targets for Climate-related Public Policy Programs (paragraphs 26-27 and AG2.34-AG2.44)**

*This ED proposes to require disclosures about metrics and targets, including (a) the change in greenhouse gas emissions reasonably attributed to climate-related public policy programs and (b) other metrics to measure and monitor performance in relation to climate-related public policy programs.*

***Do you agree that 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?***

#### Response Summary

The NAO recognises that the proposed disclosures on metrics and targets for climate-related public policy programs are an essential element of transparency and accountability for public sector climate action. However, we believe there are opportunities to enhance the guidance to improve clarity, comparability, and practicality.

#### Disclosure of Greenhouse Gas Emissions (Paragraph 26(a))

The requirement to disclose changes in GHG emissions reasonably attributed to climate-related public policy programs is appropriate and aligns with global climate reporting frameworks. However, we recommend guidance on attribution. Given the complexity of attributing emissions reductions to specific programs, additional guidance will support in clarifying the basis for attribution, acceptable methodologies, and how to account for overlapping initiatives or any external factors.

#### Other Metrics to Measure and Monitor Performance (Paragraph 26(b))

- Common metrics for comparability: The IPSASB could recommend a set of core metrics that public sector entities should consider (e.g. energy efficiency improvements, renewable energy adoption rates, climate resilience projects completed). This would provide a baseline for comparability across entities.
- Sector-specific metrics: To account for the diversity of public policy programs, the ED could include examples of sector-specific metrics. The guidance could also recommend that entities include bespoke metrics emerging from their own risk assessment and strategic priorities.
- Outcome-focused metrics: Metrics should emphasise outcomes and impacts. For example, instead of only reporting the number of trees planted, entities could disclose metrics related to carbon sequestration or biodiversity improvements.
- Reporting on government climate policy outcome in terms of spend and impact is most meaningful in the context of national level performance against climate goals, as we note in relation to strategy in **SMC 5** above. However, spend may not necessarily be short term or immediately identify impact, thus guidance should be developed on how to report on short, mid to long-term spending and assessment and measurement of impact as this may not be realised in the initial stages of a spend. Guidance should also include measurements methodologies of the broader environmental and social impacts

As per **SMC 1**, It would be useful to provide guidance on how this reporting can be linked with existing reporting, for example national climate reporting frameworks, and other public sector sustainability reporting initiatives. Thus, if detail is already reported under other frameworks, it should be assessed if options such as cross-references (i.e., URL links) are acceptable to avoid duplication of information.

#### Disclosure of Targets (Paragraph 27)

- The requirement to disclose targets is critical for assessing strategic intent and progress. To strengthen this aspect:
- Alignment with broader goals: Targets should be contextualised within national (e.g carbon budgets) or international climate goals, such as net-zero commitments or the Paris Agreement objectives.
- Progress against targets: Entities should disclose progress toward achieving their targets, including explanations for any deviations and corrective actions taken.

### **Challenges and Uncertainties in Measurement**

We recognise the challenges public sector entities may face in collecting, verifying, and reporting metrics and targets. To address these challenges, IPSASB could:

- Provide additional guidance on dealing with data gaps or limitations.
- Encourage entities to disclose uncertainties or assumptions underlying their metrics and targets.

### **Specific Matter for Comment 7**

#### **Conceptual Foundations (paragraphs B16-B46)**

*This ED includes conceptual foundations aligned with the IPSASB Conceptual Framework including the definition of materiality (see paragraphs B8-B10) and the primary users of public sector general purpose financial reports (see paragraphs B.AG28-B.AG33).*

**Do you agree that the proposed definition of materiality based on the IPSASB Conceptual Framework meets the information needs of primary users for climate-related disclosures? If not, what alternative approach would you propose and why?**

#### **Response Summary**

The NAO recognises that there is merit in the proposed definition of materiality and identification of primary users as consistent with the Conceptual Framework to support decision making. However, we recommend incorporating additional guidance on forward-looking considerations and identifying the needs of primary users and other key stakeholders where applicable.

#### **Definition of Materiality (Paragraphs B8-B10)**

The proposed definition of materiality, based on the IPSASB Conceptual Framework, appropriately emphasises the importance of information that could influence users' decisions. However, the unique nature of climate-related risks and opportunities presents challenges to applying this definition effectively in practice. To address these challenges, we recommend:

- Incorporating forward-looking considerations: Climate-related information is often forward-looking and uncertain by nature. The application guidance should explicitly state that information about potential short, medium and long-term future risks and opportunities (e.g., physical and transition risks) can be material, even if their financial impacts are not yet fully quantifiable.
- Providing examples of material climate-related information: To support consistent application, IPSASB could include illustrative examples of both quantitative and qualitative climate-related information that may be considered material, helping entities apply the concept effectively in different public sector contexts.

#### **Primary Users of Climate-Related Disclosures (Paragraphs B.AG28-B.AG33)**

The identification of service recipients and resource providers, and their representatives, as the primary users is consistent with the Conceptual Framework. However, the guidance could be strengthened by addressing the following:

- User needs in the context of climate disclosures: Primary users of climate-related disclosures may prioritise different aspects of information compared to financial information and this will vary by entity. Providing guidance on how entities can identify relevant primary users for their disclosures and therefore determine which information is material to them would be helpful.

### **Specific Matter for Comment 8**

#### **General Requirements (paragraphs B16-B46)**

*This ED includes general requirements aligned with private sector guidance (IFRS S1) including the requirements for (a) an entity to include its climate-related disclosures in its general purpose financial reports (see paragraphs B22-B25) and (b) an entity to report its climate-related disclosures at the same time as its related financial statements (see paragraphs B26-B31).*

**Do you agree that the disclosure requirements proposed in the general requirements are appropriate for public sector entities? If not, what alternative approach would you propose and why?**

### Response Summary

We support the IPSASB's effort to align the general requirements for climate-related disclosures with established private sector guidance, such as IFRS S1. This alignment fosters consistency and comparability across sectors, which is critical for users of climate-related disclosures. However, while the proposed requirements are broadly appropriate for public sector entities, there are several considerations and recommendations for further refinement to address the public sector.

### Inclusion of Climate-Related Disclosures in General Purpose Financial Reports (Paragraphs B22-B25)

The requirement to include climate-related disclosures in an entity's general purpose financial report (GPFR) ensures that this information is integrated with other critical financial and non-financial information which allows primary users to have visibility in one area although we recommend the following refinements:

- Clarity on scope and structure: The guidance should clarify how entities should structure and integrate climate-related disclosures within their GPFR to avoid duplication with other similar information or confusion for users for example, use of cross-referencing or URL links.
- Allowing flexibility for standalone reports: In some cases, a standalone climate-related disclosure report may be more appropriate, particularly for entities with extensive climate-related activities. IPSASB could consider allowing flexibility for entities to present disclosures in a separate report, provided they ensure linkage and cross-referencing within the GPFR.

### Timing of Climate-Related Disclosures and Financial Statements (Paragraphs B26-B31)

The requirement to report climate-related disclosures at the same time as related financial statements is appropriate and ensures that users receive timely and comprehensive information. However, public sector entities may face practical challenges in meeting this requirement due to resource constraints, data availability, or reliance on external data sources.

To address these challenges, we recommend:

- Additional guidance on resource and capacity constraints for smaller public sector entities with limited resources and entities in developing regions. This could include a phased implementation, for example reporting in year 3, (based on a baseline reporting of year 1) and thereby enabling entities to with sufficient time to develop processes, build capacity, and address data gaps.
- Additional guidance on data alignment: Providing practical guidance on how entities can align financial and climate-related data collection and reporting processes. For e.g. integrate climate-related data (such as greenhouse gas emissions, climate risks, and adaptation investments) with their financial data (such as budgets, expenditures, and liabilities)

### Consideration for Public Sector Entities

- Broader accountability focus: Public sector entities have a broader accountability to service recipients and society. The guidance should address the specific challenges and impact of public policy programs and the broader societal implications of climate-related risks and opportunities. There should be emphasis on the importance of disclosing non-financial impacts (e.g., social and environmental outcomes) alongside financial impacts, as these are often more relevant for primary users in the public sector. This will help stakeholders understand the real-world consequences of climate risks and actions.

### **Specific Matter for Comment 9**

#### **Transition (paragraphs 30-33)**

*This ED proposes to provide transitional relief only in the first year of adoption (see paragraphs 30-33) for disclosures relating to an entity's own operations and where applicable, relating to climate-related public policy programs and their outcomes.*

***Do you agree that the proposed transition provisions approach should be applicable to both own operations and climate-related public policy programs? If not, what alternative approach would you propose and why?***

**Response Summary**

The NAO supports the IPSASB's proposal to provide transitional relief in the first year of adoption for both own operations and climate-related public policy programs. Transitional provisions are essential to support public sector entities in adapting to the new requirements effectively, particularly given the complexities of climate-related reporting. While we broadly agree with the proposed approach, we believe some refinements could enhance its practicality and relevance for public sector entities. We recommend considering an extended and tiered transition period.

**Agreement with Transition Provisions**

The proposal to apply transitional relief to both own operations and climate-related public policy programs is appropriate and reflects the operational realities of many public sector entities. It provides entities with valuable time to develop processes, build capacity, and address data gaps, particularly in areas where climate-related reporting is a new requirement. This is especially important for smaller or resource-constrained entities.

We agree that transitional relief should include:

- Flexibility in disclosures: Allowing entities to provide qualitative disclosures in the first year, while gradually transitioning to more robust quantitative data as systems and processes mature.
- Clear expectations for phased implementation: Entities should be required to outline their plans to achieve full compliance in subsequent reporting periods, ensuring accountability and transparency.

**Challenges with Applying a Single Year of Relief**

While a one-year transitional period may be sufficient for some public sector entities, others may face challenges due to:

- Complexity of climate-related public policy programs: Collecting data and establishing systems to report on the outcomes of public policy programs may require more than one year, especially for programs involving multiple stakeholders, long time horizons, or jurisdiction-specific requirements.
- Availability of reliable data: For some entities, particularly in jurisdictions where sourcing reliable data for both own operations and public policy programs could be a significant challenge.

**Proposed Alternative Approach**

To ensure the successful adoption of the disclosure requirements, we propose the following refinements to the transition provisions:

- Extended and tiered transition period:
- Provide entities with perhaps up to a maximum of three years of transitional relief, particularly for disclosures related to public policy programs and their outcomes.
- Use a tiered approach where disclosures become progressively more detailed based on size and/or degree of exposure to climate change.

***Specific Matter for Comment 10***

***Other Comments***

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

**Alignment with TCFD and Other Frameworks:**

Given the increasing adoption of TCFD recommendations in the public and private sectors, we encourage closer alignment between SRS-ED1 and TCFD principles. This includes using consistent terminology and categories of risks (e.g., physical and transition risks) to facilitate comparability and streamline reporting efforts across sectors.

#### Consideration of Materiality:

While the ED emphasises the importance of climate-related information, additional guidance on materiality thresholds specific to public sector operations and policy programs would help entities prioritise the most relevant disclosures. This is particularly important given the resource constraints many public sector entities face. A clearer definition of materiality that considers broader public sector accountability factors (e.g., environmental, social, and reputational risks) would improve reporting consistency and ensure that disclosures remain decision useful.

#### Implementation and Practicality:

It is important to consider the practical challenges that public sector entities may face in implementing these requirements. Providing guidance and support for entities to effectively gather and report this information will be crucial for the successful adoption of the standards. Additionally, phased implementation (for e.g., based on role of the entity or size) or transitional provisions could be considered to ease the burden on entities and ensure a smooth transition to the new reporting requirements.

#### Stakeholder Engagement in review of this Exposure Draft

To ensure the final standard reflects the needs of all key users, responses to this Exposure Draft should be obtained from a diverse range of stakeholders. This would include public and private sector entities, investors, regulators and parliamentary bodies. This would enable the final standard is comprehensive and aligned with the reporting needs and expectations of its key users.

#### Future Guidance and Continuous Development

As climate related reporting evolves, it is essential that future guidance is developed to support implementation and along the journey, enable consistency and standardisation across jurisdictions. This could include sector specific guidance, illustrative examples, tools to support entities in applying these requirements over time.

By incorporating these considerations, IPSASB can ensure that the SRS -ED1 remains practical, forward looking and responsive to the growing expectations of transparency and accountability in public sector reporting.