



## Financial Reporting Advisory Board Sustainability Reporting Update (FRAB-SSC 04)

<b>Issue:</b>	The paper sets out the Subcommittee’s <u>recommendations</u> from the March 2023 FRAB-SSC meeting, with the discussions summarised in the <u>summary minutes</u> . The paper also provides an overview of the sustainability reporting <u>updates</u> since the last FRAB meeting and sets out the <u>Proposed timetable for developing TCFD and sustainability-related reporting guidance</u> .
<b>Impact on guidance:</b>	No impacts on guidance are proposed in the paper. HM Treasury and FRAB-SSC are considering the impact of developments on climate- and sustainability-related reporting for public sector annual reports and accounts (ARAs).
<b>IAS/IFRS adaptation?</b>	No adaptations or interpretations are proposed in the paper; however, the Subcommittee may bring insights into interpretations of the IFRS framework to FRAB in the future.
<b>Impact on WGA?</b>	No immediate impact on WGA in the paper. Future advice on climate- and sustainability-related reporting may impact WGA’s performance section.
<b>IPSAS compliant?</b>	IPSAS has not yet issued comprehensive guidance on climate- or sustainability-related reporting. The paper includes HM Treasury’s response to IPSASB’s consultation for developing a public sector sustainability reporting framework.
<b>Interpretation for the public sector context?</b>	Some interpretations and adaptations may be necessary to effectively implement sustainability- and climate-related reporting in the public sector.
<b>Impact on budgetary and Estimates regimes?</b>	N/A
<b>Alignment with National Accounts</b>	N/A - However, ESA10 guidance on non-financial reporting incorporates satellite accounts enlarging the scope of the accounting framework by adding nonmonetary information, e.g., on pollution and environmental assets.
<b>Recommendation:</b>	FRAB members are invited to comment on the paper and presentation. Members are encouraged to attend the next FRAB-SSC meeting where the TCFD implementation strategy will be discussed, along with the draft TCFD guidance for Phase 1 (expected for approval by the Board at FRAB 149).
<b>Timing:</b>	N/A

## Summary

1. This paper sets out the Recommendations from the FRAB-SSC meeting requiring the Board's review and approval; and provides an overview of Updates on sustainability reporting since the last meeting. The Board is asked to approve the Subcommittee's recommendations and review the Proposed timetable for developing TCFD and sustainability-related reporting guidance - refer to Annex 2.
2. The associated papers for the FRAB-SSC 04 meeting have been included in this paper, along with the agenda and Summary minutes for the Board's reference.

## Background

3. At FRAB 148 on 24 November 2022, the Board received an update on sustainability reporting developments and HM Treasury's (HMT's) implementation plan for aligning central government annual reports and accounts with the TCFD recommendations.
4. In the latest Subcommittee meeting (FRAB-SSC 04) on 1 March 2023, the Subcommittee discussed developments in government, in the private sector and by standard setters. This includes announcements from the International Sustainability Standards Board (ISSB) and International Public Sector Accounting Standards Board's (IPSASB's) proposal to develop a public sector specific sustainability reporting framework. Furthermore, HM Treasury (HMT) updated the Subcommittee on the progress on plans to implement the TCFD-aligned reporting in central government and developing guidance for the wider public sector. The FRAB-SSC members also discussed updates on sustainability reporting in their respective areas.
5. After FRAB 147, Andrea Pryde withdrew from FRAB-SSC based on her new role at the IFRS Foundation. Mike Sunderland has moved to Department for Education (DfE) and is no longer the FRAB relevant authority representative for HMT, however, he has taken on the FRAB preparer representative for DfE. Sarah Geisman will now represent HMT on FRAB-SSC.

## Recommendations

6. The Subcommittee requested that HMT continue to consider the financial reporting implications of climate change while developing the TCFD Application Guidance. Given there are already existing resources on financial reporting implications of climate change (e.g. IFRS's educational materials and a central government Technical Accounting Centre of Excellence article), the Subcommittee's view was that it would be most effective for HMT to prioritise publicising these existing resources more broadly, to raise awareness across the public sector.
7. The Subcommittee was supportive of HMT's proposal for 2023-24 ARAs to require the two TCFD recommended disclosures for Governance, as well as high-level commentary on Strategy, Risk Management and Metrics and Targets. The Subcommittee raised the need for early communication of requirements with preparers, as well as collaboration with relevant authorities across the public sector.
8. The Subcommittee was broadly supportive of the proposed scoping considerations for public sector bodies set out in the paper – aligning with existing (and proposed)

threshold in the private sector on size and industrial grouping, as well as considering other risk factors (e.g., policy area, climate risk impact).

*Does the Board support Subcommittee's recommendation for HM Treasury to focus on ensuring that existing resources around the financial reporting consequences of climate change are publicised to raise awareness across the public sector?*

*Does the Board support the Subcommittee's recommendation to require departments (and other scoped-in public sector bodies) to:*

- *adopt the TCFD recommended disclosures for Governance for 2023-24, specifically:*
  - a) *Describe the board's oversight of climate-related risks and opportunities;*
  - b) *Describe management's role in assessing and managing climate-related risks and opportunities;*
- *provide high-level commentary on Strategy, Risk Management and Metrics and Targets for 2023-24?*

*Does the Board support the Subcommittee's recommendation to scope in departments (and other scoped-in public sector bodies) that have certain characteristics (e.g., based on employee numbers, budget, operating industry, etc.)?*

*The Board is also asked to review the proposed timetable for developing TCFD-related guidance (outlined in [Annex 2](#)).*

## Meeting paper (FRAB-SSC 04)

1. This paper is for the FRAB Sustainability Subcommittee (FRAB-SSC) meeting on 1 March 2023. This paper follows on from the last FRAB meeting and accompanying paper, [FRAB 148 \(16\)](#), in November 2022 where the Board was updated on:
  - developments from the ISSB recent board meeting based on feedback from the exposure drafts;
  - HM Treasury's response to the IPSASB consultation 'Advancing Public Sector Sustainability Reporting';
  - results from the Public Account Committee (PAC) report on the NAO's study 'measuring and reporting public sector greenhouse gas emissions' ('the PAC report');
  - initial plans on the TCFD implementation strategy for central government.
2. After FRAB-SSC 03, Andrea Pryde confirmed that she would resign as a member of the Subcommittee to avoid any future conflicts between the ISSB's work and the Subcommittee discussions. Mike Sunderland has moved from HM Treasury to the Department for Education. Mike will remain on FRAB (and the Sustainability Subcommittee) having taken over as the DfE preparer representative. The responsibility for non-financial reporting within HM Treasury has been transferred to Sarah Geisman. Consequently, Sarah will be representing HM Treasury on the Sustainability Subcommittee.
3. This paper updates members on the reporting landscape and lays out the decisions for the Subcommittee concerning TCFD implementation.

## Updates

### HM Treasury, government and Parliament

#### Sustainability Reporting Guidance

4. In December 2022, HM Treasury published the [Sustainability Reporting Guidance \(SRG\) for 2022-23](#). The publication was delayed due to the late publication of the Greening Government Commitments (GGC) reporting requirements by Defra. The updated version of the SRG addresses findings from the NAO study:
  - removing unnecessary overlap with Defra's guidance;
  - explaining areas of misalignment between the GGCs and SRG reporting frameworks in a new annexe;
  - clarifying specific reporting requirements which had been identified by the NAO team (e.g., on Scope 3 Greenhouse Gas (GHG) emissions);
  - correcting the SRG air travel reporting requirement from emissions to distance to align with the GGCs metric.
5. The GGCs reporting requirements should remain unchanged until the next commitment period from 2025-30. Except for the new disclosure requirements for

the TCFD framework, the next version of the SRG, and other central government sustainability reporting requirements are expected to remain broadly unchanged.

### NAO decarbonisation study

6. The Treasury Minute responding to the PAC recommendations on *measuring and reporting public sector greenhouse gas emissions* was published in January 2023. Furthermore, BEIS has submitted a formal response to the NAO, laying out a future action plan for recommendations between BEIS, Defra and HM Treasury.

## Developing sustainability reporting frameworks

### International Sustainability Standards Board

7. In November 2022, the ISSB announced plans to introduce short-term transitional relief that would permit an entity to report its sustainability-related financial disclosures after its financial statements. In December 2022, the ISSB defined sustainability as:

*...the ability for a company to sustainably maintain resources and relationships with and manage its dependencies and impacts within its whole business ecosystem over the short, medium and long term. Sustainability is a condition for a company to access over time the resources and relationships needed (such as financial, human, and natural), ensuring their proper preservation, development and regeneration, to achieve its goals.*

8. Furthermore, the ISSB has decided to clarify the distinction and connection between identifying sustainability-related risks and opportunities and related material information. The Board tentatively decided to seek feedback on potential research projects for:

- biodiversity, ecosystems and ecosystem services;
- human capital, with an initial focus on diversity, equity and inclusion; and
- human rights, with an initial focus on labour rights and communities' rights in the value chain; and
- a joint project with the IASB on the connectivity of reporting to build on the integrated reporting framework.

9. In January 2023, the ISSB clarified that entities are required to disclose information on both the metrics that they use and those required by the IFRS Sustainability Disclosure Standards. Furthermore, the Board introduced the concept of 'reasonable and supportable information that is available at the reporting date without undue cost or effort' into both standards into IFRS-S1 and S2.

### Feedback on IPSASB's consultation on Advancing Public Sector Sustainability Reporting

10. In December 2022, IPSASB summarised feedback on the sustainability reporting consultation<sup>1</sup>. There was strong support for a public sector specific framework to be

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<sup>1</sup> <https://www.ifac.org/system/files/meetings/files/7-Sustainability-Reporting-Final.pdf>

developed by IPSASB, drawing from existing frameworks (the International Sustainability Standards Board (ISSB), Global Reporting Initiative (GRI) and UN Sustainable Development Goals). However, some raised concerns over IPSASB's resourcing and capacity for this project, as well as the required level of specialist expertise. Respondents emphasised caution over interpreting and adapting investor-focussed standards and preferred a widened perspective to encompass a larger group of stakeholders, broader impacts of governments, and value beyond enterprise value and service provision.

11. There were mixed views on whether the current IPSASB Conceptual Framework addresses non-financial information adequately and whether concepts need to be expanded beyond financial reporting to include sustainability reporting and address strategic questions. Respondents agreed with the proposal to address sustainability-related and climate-related reporting first, with an aim to define the scope, objectives, primary users, and key definitions. Other key topics identified included the environment (natural resources, biodiversity), governance and social matters.
12. HM Treasury is participating in upcoming roundtable sessions run by ACCA to help the IPSAS Board shape the future of sustainability reporting in the public sector.

#### **Transition Plan Taskforce**

13. In April 2022, HM Treasury launched the Transition Plan Taskforce (TPT) to develop a gold standard for private sector climate transition plans applicable to the UK. In November 2022, TPT published the draft recommendations for a disclosure framework and implementation guidance for consultation.
14. The TPT will build on the work from the ISSB's standards and the TCFD recommendations, and (will likely) inform regulation on the UK private sector. While the TPT disclosure framework is aimed at the private sector with a focus on transition plans, recommendations around annual reporting may impact and aid in the development of the public sector specific TCFD guidance.
15. The TPT disclosure framework and implementation guidance are only at the consultation phase, and there are no formal plans to mandate the framework in the private sector, subsequently no further work is needed at this phase. HM Treasury will continue to monitor TPT developments, updating FRAB-SSC where development has a significant impact on annual reporting requirements.

## **Work plan and decisions**

### **Application guidance on financial reporting for the impacts of climate change**

16. In November 2022, HM Treasury proposed re-considering the prioritisation of application guidance on the financial reporting implications of climate change (para 7, 8, FRAB 148 (16)).

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In total, 70 responses were received, with almost half from new respondents who had not previously submitted comment letters to IPSASB. Feedback was received directly via response letters, as well as from the regional roundtables, from the International Standard Setters Forum in Portugal (September 2022) and the Consultative Advisory Group (CAG) meeting in June 2022.

17. At FRAB-SSC 02, the Subcommittee initially selected this topic as a priority based on the close alignment with FRAB's existing remit of financial reporting, and the lack of public sector specific guidance. The overall assessment was that '*The absence of guidance increases the risks of inadequate or inconsistent application to financial reporting*'. Subsequently, FRAB approved the decision (Annex 4, [FRAB 146 \(09\)](#)).
18. After this, in May 2022, the Technical Accounting Centre of Excellence (TA CoE) published further guidance on the 'effects of climate-related matters on financial statements' - adding to existing guidance from TA CoE (and elsewhere) discussed at FRAB-SSC 02. TA CoE articles are available to finance partners in government departments, agencies, arm-length bodies, local authorities and public bodies.
19. The TA CoE article includes an overview of materiality considerations and the main impacts of climate change with respect to IFRS Standards. While our initial proposal had a slightly wider remit with more in-depth guidance, overall, there is a reduced need for additional guidance on the subject.

## Task Force on Climate-related Financial Disclosure (TCFD) implementation

### Work plan and prioritisation

20. More departments and executive agencies have voluntarily adopted the Task force on Climate-related Financial Disclosure (TCFD) recommendations in annual reports and accounts (ARAs). To ensure a level of consistency and quality in the disclosure; HM Treasury (and FRAB) develop supporting application guidance for preparers.
21. Considering the TACoE article discussed above, HM Treasury's view is now that implementing TCFD-aligned disclosures with supporting guidance should take priority to publishing further guidance on the financial reporting implications of climate change.

### Roundtable

22. In February 2023, HM Treasury in collaboration with Government Actuary Department (GAD) held the first TCFD roundtable session, where preparers and experts from across central government and the wider public sector discussed HM Treasury's planned implementation strategy; heard from UK Export Finance (UKEF) as an early adopter<sup>2</sup>; and were introduced to more technical disclosure requirements (e.g., scenario analysis) by GAD. The slides have been included in Appendix 1 for reference.
23. The attendees discussed the proposed scope, remit and timetable of TCFD adoption; challenges to adoption; the development of tools to aid adoption; and the required capacity and resources to facilitate adoption. Overall attendees were supportive of the implementation plan and the development of tools/resources for adoption. Certain departments had already engaged with climate-related risk experts, offering an opportunity to learn from those further ahead.
24. Developing expertise, tools and capacity centrally for implementing the TCFD framework, would likely reduce the overall cost to government in the longer term. HM Treasury is exploring funding options to support central TCFD implementation tools in partnership with BEIS and Defra, who own the public sector emissions

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<sup>2</sup> UKEF's [2021-22 ARA](#) provided a more detailed disclosure on the TCFD recommendations.

reporting policy and the central government sustainability reporting framework respectively.

### **Proposed TCFD reporting requirements for 2023-24**

25. For 2023-24 ARAs, we are proposing that on a comply or explain basis, all ministerial and non-ministerial departments:

- Apply the recommended disclosures for Governance, specifically:
  - a) Describe the board’s oversight of climate-related risks and opportunities.
  - b) Describe management’s role in assessing and managing climate-related risks and opportunities.
- Provide high-level commentary on each of the TCFD recommendations for Governance, Strategy, Risk Management and Metrics and Targets. The expectation will be for preparers to provide a short overview (1 to 2 paragraphs). However, preparers are not expected to apply the underlying TCFD guidance for the other recommended disclosures - except for Governance (as set out above).

26. Our focus on governance, with broader high-level disclosure in other areas, will encourage organisations to engage with those charged with governance (Boards, Audit and Risk Assurance Committees) and indicate the next areas of focus. Furthermore, as the recommended disclosures for Governance are qualitative in nature, and to a large extent rely on existing reporting processes and structures; we expect this to be less burdensome and resource intensive for preparers; nor should it require significant training or detailed guidance to implement.

27. Furthermore, HM Treasury is considering whether to require other organisations should also be applying the TCFD recommendations. This includes:

- pension funds – in the private sector, the Prudential Regulatory Authority (PRA) requires pension funds to make TCFD-aligned disclosures. It may be appropriate to set similar requirements for pension funds that do not fall into the scope of PRA regulations.
- larger Arms-Length Bodies (ALBs) – BEIS published<sup>3</sup> guidance on plans for certain UK private sector organisations to adopt the TCFD recommendations where they have over 500 employees and a turnover over £500m. It may be appropriate to set similar thresholds for the central government for comparability, and consistency to encourage high-quality reporting.
- highly impacted entities within central government. TCFD identified certain industrial groups that were more likely to be impacted by climate change. It may be appropriate to identify similar groupings in the private sector.

28. HM Treasury expects that most preparers will apply 2023-24 disclosure requirements in full. Maintaining a consistent basis of ‘comply or explain’ throughout TCFD

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<sup>3</sup> <https://www.gov.uk/government/publications/climate-related-financial-disclosures-for-companies-and-limited-liability-partnerships-ltps>



implementation ensures a consistent message. The option to explain will likely become more important in later years, as certain preparers are unable to adopt the more technical TCFD disclosure requirements in the allotted time due to capacity and resource constraints.

Does FRAB-SSC support HM Treasury's plans to:

- prioritise implementing the TCFD recommendations in central government over wider financial reporting guidance on climate change
- require departments to adopt the TCFD recommended disclosures for Governance for 2023-24? Specifically,
  - a) Describe the board's oversight of climate-related risks and opportunities.
  - b) Describe management's role in assessing and managing climate-related risks and opportunities.
- require departments to provide high-level commentary on Strategy, Risk Management and Metrics and Targets for 2023-24?
- look to expand the requirements above to other central government bodies which have certain characteristics (e.g., based on employee numbers, budget, operating industry, etc.)

29. The disclosure requirements would be communicated to departments (and other bodies) through the Sustainability Reporting Guidance; by moving the TCFD guidance from the current sub-section in voluntary reporting<sup>4</sup>, to a new Chapter which will only apply to certain preparers on a 'comply or explain' basis. The PES paper on preparing 2023-24 ARAs would also detail the new requirements.

30. HM Treasury will also work with GAD, BEIS and Defra to draft specific TCFD Application Guidance over the coming months for 2023-24 and subsequent reporting periods. This will come to FRAB and FRAB-SSC for review and approval prior to publication.

31. HM Treasury is engaging with other relevant authorities and those across the wider public sector on the implementation. HM Treasury will return to FRAB and the Subcommittee with comments after formal consultation over the coming months (e.g., with the Resource Accounts Special Interest Group, Relevant Authorities Working Group).

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<sup>4</sup> Refer to 'Further Voluntary Reporting' chapter in [2022-23 SRG](#)

## Annex 1

# Agenda and minutes for FRAB-SSC 04

Time: 3pm to 4.30pm on Wednesday 1 March 2023

Location: Virtual via MS Teams

## Agenda

### Attendees

Name	Initials	Position	FRAB Role
Conrad Hall (Chair)	CH	Newham Council	CIPFA/LASAAC Chair
Karen Sanderson	KS	CIPFA	Relevant authority
Sarah Geisman	SG	HM Treasury (HMT)	Relevant authority
Iain Murray	IM	CIPFA	Relevant authority
Lynn Pamment	LP	Jersey Audit Office	FRAB Chair
James Osbourne	JO	National Audit Office	Auditor representative
Ian Webber – left at 4pm	IW	MoD	Preparer representative
Max Greenwood (Secretariat)	MG	HMT	-

### Timetable

	Time	Item	Details
1	3.00-3.15pm	Introduction	Welcome and introduction from new members.
2	3.15-3.45pm	Sustainability reporting update	HMT provide update on developments in government, the private sector and standard setters – covered in paper. Invite updates from other members.
3	3.45-4.20pm	TCFD-aligned reporting in PS and financial reporting guidance on climate change	Subcommittee to discuss progress on TCFD-alignment in central government and the wider public sector. The Subcommittee to discuss prioritise, specifically on financial reporting guidance for climate change.
4	4.20-4.30pm	AOB	Any other business and close

### Actions

	Item	Details
1	Sustainability Reporting Expert	HMT to identify potential candidates with sustainability reporting expertise and consider updates to update the FRAB-SSC Terms of Reference.
2	Communication with Relevant Authorities	HMT to set up call with CIPFA on local government sustainability reporting developments and discuss the TCFD implementation plan in more detail.
3	Develop guidance on financial reporting for climate change	HMT to develop guidance on Financial Reporting for Climate Change. The guidance should be high level and mainly signpost to existing material with the aim of raising awareness across the public sector.
4	Draft TCFD Application Guidance	HMT to draft TCFD Application Guidance for Phase 1 (2023-24 reporting requirements) for June 2023. HMT to draft TCFD Application Guidance for Phase 2 for November 2023. HMT expected to report

## Publication procedures and details

1. Based on time constraints, the summary minutes for the FRAB-SSC meeting have been circulated to the Subcommittee in advance of the FRAB meeting.
2. These minutes should be read in conjunction with the supporting paper ([FRAB-SSC \(04\) 01](#)).

## Summary minutes

### Introduction

1. The Secretariat confirmed Conrad Hall's role as the Chair for the session (rotating basis). The Chair welcomed members and introduced the session. Sarah Geisman and Iain Murray joined the meeting, representing HMT and CIPFA. Subcommittee members introduced themselves.
2. The Subcommittee discussed membership and representation following Andrea Pryde's departure. Collectively the group agreed to seek representation from a sustainability reporting expert - noting that attendance was permissible as an observer; however, the group should consider updating the FRAB-SSC Terms of Reference to address these changes. The Secretariat was asked to identify potential candidates for the Subcommittee, including from the private sector, bringing a more diverse range of views and experience.

### Sustainability reporting update

3. The Secretariat summarised sustainability reporting developments covered in the paper. Members noted the volume, breadth and pace of developments – making the continued identification, monitoring and prioritisation challenging. Members also discussed the need for HM Treasury to view sustainability guidance from a holistic, big picture point of view ('seeing the wood from the trees').
4. Certain members voiced concerns over the practicalities of implementing certain developing frameworks in the public sector. Another member noted the ISSB's consolidation of multiple existing sustainability reporting framework had provided a level of simplification; however, this member agreed that there were challenges in applying the standards in a public sector context where the prioritisation of topics, reporting objectives and intended users is quite different.
5. Another member noted that the new and developing landscape may require a level of trial and error for reporting requirements. CIPFA plans to build a community of practice for non-financial reporting information. As there is likely to be a significant wait for well-defined reporting requirements, the institute intends to progress adoption plans at the same time as pursuing other options– including considering the GRI Standards.
6. Another member agreed that there is likely to be a level of trial and error; balancing the effort, time and resource challenges with the opportunity for improved accountability and transparency. While some members noted this appears to be the start of a new profession, others saw this more as an opportunity to develop financial reporting with accountants having a real part to play.

7. HMT explained the need to devote appropriate time to develop high quality guidance, while at the same time recognising the urgency of the issue. HMT noted the rapid pace that private sector guidance is being developed. There is a big question around 'how far and how fast'
8. Another member stressed that preparers appreciate certainty. Preparers already want to deliver better disclosure for sustainability reporting; however, future requirements need to be proportionate and justified.
9. Another member agreed that there is willingness from preparers, also noting that many local Authorities had declared a climate change emergency. However, the member also expressed concern over the significant challenges that exist. For example, the lack of suitable data leads to difficulties to forming baselines. They also voiced concerns that applying a less stringent reporting framework could lead to green washing.
10. The Secretariat noted that the earlier advice to implement the TCFD recommendations, remains aligned with developments by standard setters and jurisdictions including in recent publications and international regulation. Members agreed that the strategy to adopt the TCFD recommendations remains appropriate.
11. A member noted that as the scope of reporting expands, the public sector will need to consider the location of reported information in annual reports. While integrated reporting is useful, disclosure in annual reports should be proportionate, and there needs to be a focus on organisational resilience. Potential future assurance arrangements add yet another level of complexity. Allowing a level of flexibility early on, would aid preparers to implement the TCFD recommendations at a manageable pace. The member also raised that suitable training and guidance would need to be available to ensure that preparers have required skills.
12. A member noted the added complexities for the UK public sector as compared with the private sector, with HMT needing to coordinate across public sector relevant authorities and consider a multitude of existing reporting frameworks. HMT confirmed that there has been limited discussion on the TCFD implementation plan with RAWG, however, agreed that more coordination is needed with relevant authorities to ensure that central government guidance is aligned with other relevant authorities' guidance whenever appropriate.
13. Based on views from representatives of local government and CIPFA, HMT agreed to set up a separate more detailed discussion on the TCFD implementation proposal separately as an action.
14. A member updated the Subcommittee that GRI will be presenting at IPSASB's March meeting. IPSASB's Advancing Public Sector Sustainability Reporting remains in the research phase with more work expected in 2024. The member also suggested using these developments as setting out a more formal set of criteria for what information should be included in performance reporting.

## TCFD-aligned reporting in Public Sector and financial reporting guidance on climate change

### Guidance on financial reporting for the impacts of climate change

15. HMT updated the Subcommittee on recently published financial reporting guidance on climate change and asked for a decision on whether group would support HMT's proposal to:

*Prioritise implementing the TCFD recommendations in central government over wider financial reporting guidance on climate change*

16. A member provided the context for developing the most recent Technical Accounting Centre of Excellence (TA CoE) article on *the effects of climate-related matters on financial statements*. The article aims to address practical issues preparers has raised and empower preparers.

17. Members noted that the Government Finance Function's (GFF's) digital platform, OneFinance (where TA CoE articles are published), isn't well publicised, particularly to bodies outside of central government. Other public sector bodies don't have access, and even those central government bodies that do may not be aware of the specific TA CoE articles on climate change. Furthermore, the articles are not formal guidance and are not subject to review and scrutiny from FRAB.

18. Members noted that they expected the public sector-specific financial reporting implications of climate change would likely be limited and already covered by existing materials. Rather than creating new guidance, members suggested that HMT publicise existing guidance and ensure that existing resources are consolidated into one place and publicised and shared more broadly, to raise awareness across the public sector. Furthermore, members asked HMT to consider the need for training on this topic.

*The Subcommittee recommended that HMT focus on ensuring that existing resources are communicated and publicised as broadly as possible to raise awareness across the public sector.*

### TCFD-aligned reporting in Public Sector

*require departments to adopt the TCFD recommended disclosures for Governance for 2023-24? Specifically,*

*a) Describe the board's oversight of climate-related risks and opportunities.*

*b) Describe management's role in assessing and managing climate-related risks and opportunities.*

*require departments to provide high-level commentary on Strategy, Risk Management and Metrics and Targets for 2023-24*

19. A member probed whether the proposed implementation timetable, with adoption of all the TCFD recommendations in 2025-26 annual reports, was appropriate. Certain public sector bodies have already set targets to reduce Greenhouse Gas (GHG) emissions by 2030. The implementation timetable may not allow for adequate emissions data to be collected by preparers, or sufficient lead time for decision makers and users to identify, manage and address delivery risks. The member also queried

other considerations, specifically consolidated emissions information and assurance arrangements. Members expressed a desire that the TCFD recommendations should be applied across the public sector – not just in central government annual reports. HMT noted that they only have authority to set reporting requirements for central government, however, will aim for the developed TCFD guidance to be applicable across the wider public sector. Relevant authorities still have to set their own reporting requirements.

20. HMT explained that consolidating this type of information across the public sector would be very complicated, particularly regarding Scope 3 emissions. These indirect emissions, including along an organisation's supply chain, would need to be netted off across public sector bodies. Formal assurance arrangements are yet to be decided but the NAO representative later confirmed these are starting to be considered.
21. A member emphasised that there needs to be a consistent approach for reporting related information across the public sector early on. This will provide consistency and encourage data collection relevant for baselining targets. HMT noted that existing public sector emissions reporting frameworks, and those standard setters discussed (ISSB, IPSASB) already refer to the GHG Protocol.
22. The NAO member explained that the front half of annual report and accounts are not currently subject to audit – only consistency checks. Moreover, the NAO representative agreed that consolidating information would be complex. Consideration would have to be made on the impact on the audit timetable.
23. Members did raise concerns around the timeliness of liaising with relevant authorities to ensure there are consistent requirements across the public sector for 2023-24. HMT agreed to discuss plans and seek views in the coming weeks and as they start to develop guidance.
24. HMT provided an overview of the proposed disclosure for 2023-24 ARAs described in the paper. *Members were supportive of HMT's proposal, however, raised the need for early communication of requirements with preparers, with more collaboration with relevant authorities across the public sector.*
25. Members asked that an exposure draft of the TCFD application guidance be brought to the June meeting. HMT agreed to provide an exposure draft for 2023-24 reporting requirements for FRAB's consideration in June, however, reporting requirements for subsequent period would be addressed later (with an updated version of the exposure draft to address reporting requirements in 2024-25 expected in November).  
*look to expand the requirements above to other central government bodies which have certain characteristics (e.g., based on employee numbers, budget, operating industry, etc.)*
26. HMT provided an overview of the scoping considerations in applying TCFD recommendations in the public sector. A member supported the same or similar private sector thresholds (e.g., size, employees) to be applied in the public sector. Placing more stringent reporting requirements on public sector bodies would not be proportionate and appropriate. *Members were broadly supportive of the proposed scoping considerations set out in the paper.*

## Annex 2

### Proposed timetable for developing TCFD and sustainability-related reporting guidance

Meeting, date	Deliverable	Details
FRAB 150, June 2023	TCFD Application Guidance – Phase 1 – draft for inclusion in the Exposure Draft in November 2023	Reporting requirements and guidance for 2023-24, including on: <ul style="list-style-type: none"> <li>• All (2) recommended disclosures for Governance</li> <li>• High-level overview of four pillars: Strategy, Risk Management and Metrics and Targets.</li> <li>• Direction on scoping of organisations (only for relevant authorities that decide to adopt the framework).</li> </ul>
FRAB 151, November 2023	TCFD Application Guidance – Phase 2 - for Exposure Draft	Reporting requirements and guidance for 2024-25, including on: <ul style="list-style-type: none"> <li>• Recommended disclosures for Risk Management (qualitative focus)</li> <li>• Recommended disclosures for Metrics and Targets – comply or explain with a focus on plans to address gaps for reporting Scope 1 and Scope 2 GHG emissions (aligning with GHG Protocol)</li> <li>• No change for relevant authorities with existing reporting on Scope 1 and 2 emissions (aligning with GHG Protocol).</li> </ul>
FRAB 151, March 2024	TCFD Application Guidance Phase 2 – for final approval	As above, adjusted for views from respondents.
FRAB 151, March 2024	Public Sector-wide Consultation on Phase 3 TCFD requirements and Future Sustainability Reporting Strategy	Seeking views on more complex TCFD requirements and future plans, including: <ul style="list-style-type: none"> <li>• Guidance and requirements for Scope 3 GHG emissions – to be run in conjunction with BEIS that own public sector emissions reporting policy;</li> <li>• Scenario analysis – including views scope, grouping, scenario alignment for comparability, etc.</li> <li>• Future strategy including implementing the ISSB’s sustainability standards – note that the timetable is to be adjusted based on the publication date for ISSB’s sustainability standards and UK government’s response for the private sector.</li> </ul>
FRAB 152, June 2024	TCFD Application Guidance Phase 3 – for Exposure Draft	Reporting requirements and guidance for 2025-26, including on: <ul style="list-style-type: none"> <li>• Recommended disclosures for Strategy including decisions on scenario analysis (qualitative disclosures)</li> <li>• Recommended disclosures for Metrics and Targets with decision and guidance on Scope 3 emissions (building on the Cabinet Office’s work for their procurement notice), as well as consistent classification across the public sector.</li> </ul>
FRAB 153, November 2024	TCFD Application Guidance Phase 3 – for final approval	As above, adjusted for views from respondents.

Note that the Actions section in the minutes includes other FRAB-SSC deliverables (e.g., update to the Terms of Reference) not related to guidance. Resourcing Emissions reporting in the public sector.



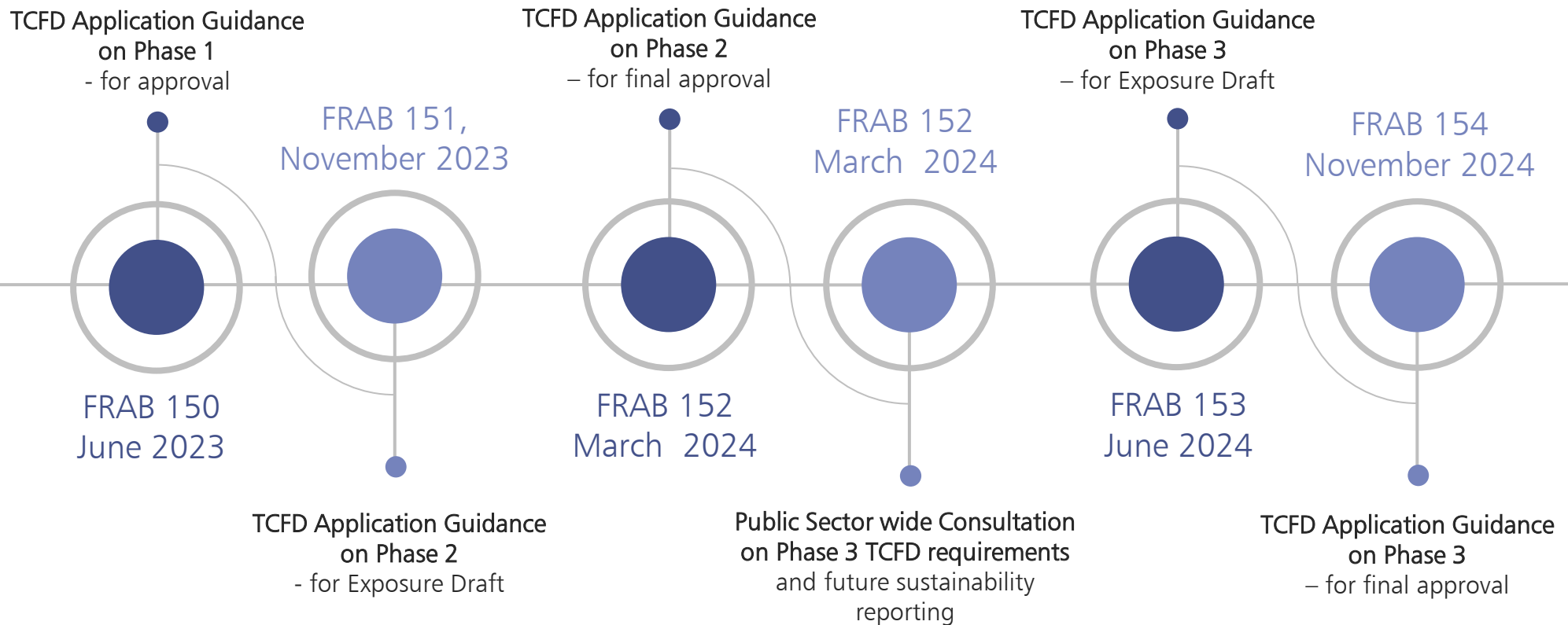
HM Treasury

# **Implementing TCFD-aligned reporting in the UK public sector**

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# Proposed timetable for developing TCFD-related guidance

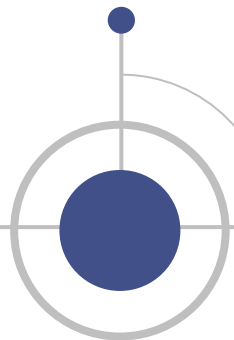


# Proposed timetable for developing TCFD-related guidance

Reporting requirements and guidance for 2023-24, including on:

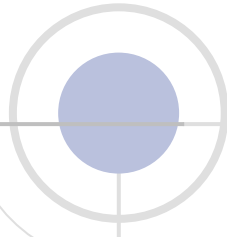
- All recommended disclosures for Governance
- High-level overview on Strategy, Risk Management and Metrics and Targets.
- Direction on scoping of organisations (only for relevant authorities that decide to adopt the framework).

TCFD Application Guidance  
on Phase 1

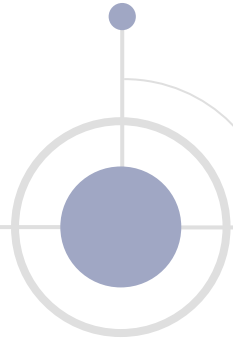


FRAB 150  
June 2023

FRAB 151,  
November 2023



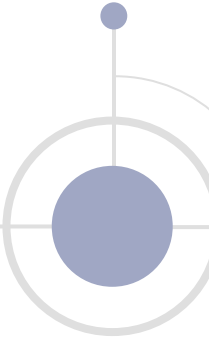
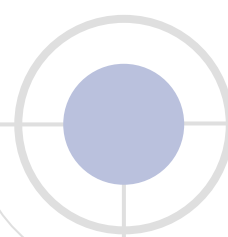
TCFD Application Guidance  
on Phase 2  
- for Exposure Draft



FRAB 152  
March 2024

Public Sector wide Consultation  
on Phase 3 TCFD requirements  
and future sustainability  
reporting

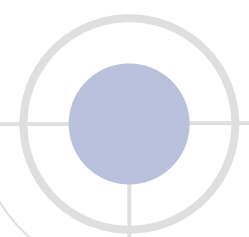
FRAB 152  
March 2024



FRAB 153  
June 2024

TCFD Application Guidance  
on Phase 3  
- for Exposure Draft

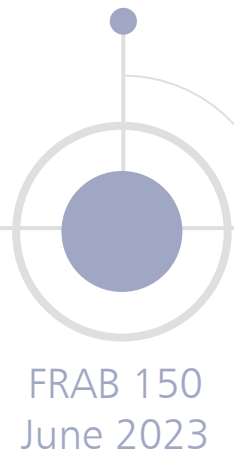
FRAB 154  
November 2024



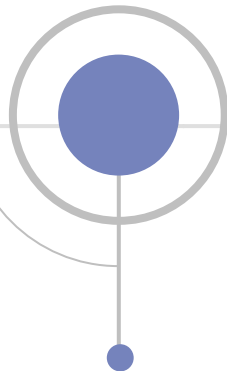
TCFD Application Guidance  
on Phase 3  
- for final approval

# Proposed timetable for developing TCFD-related guidance

TCFD Application Guidance  
on Phase 1

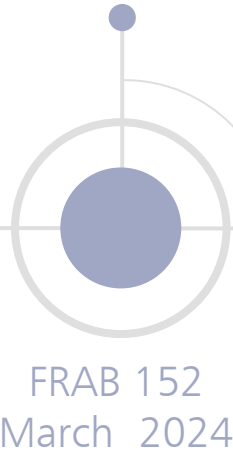


FRAB 151,  
November 2023



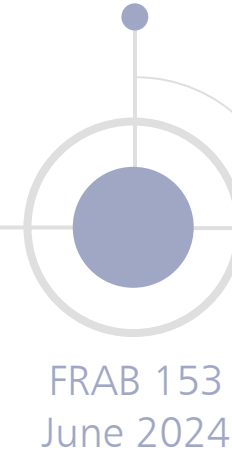
TCFD Application Guidance  
on Phase 2  
- for Exposure Draft

TCFD Application Guidance  
on Phase 2  
– for final approval



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March 2024

TCFD Application Guidance  
on Phase 3  
– for Exposure Draft

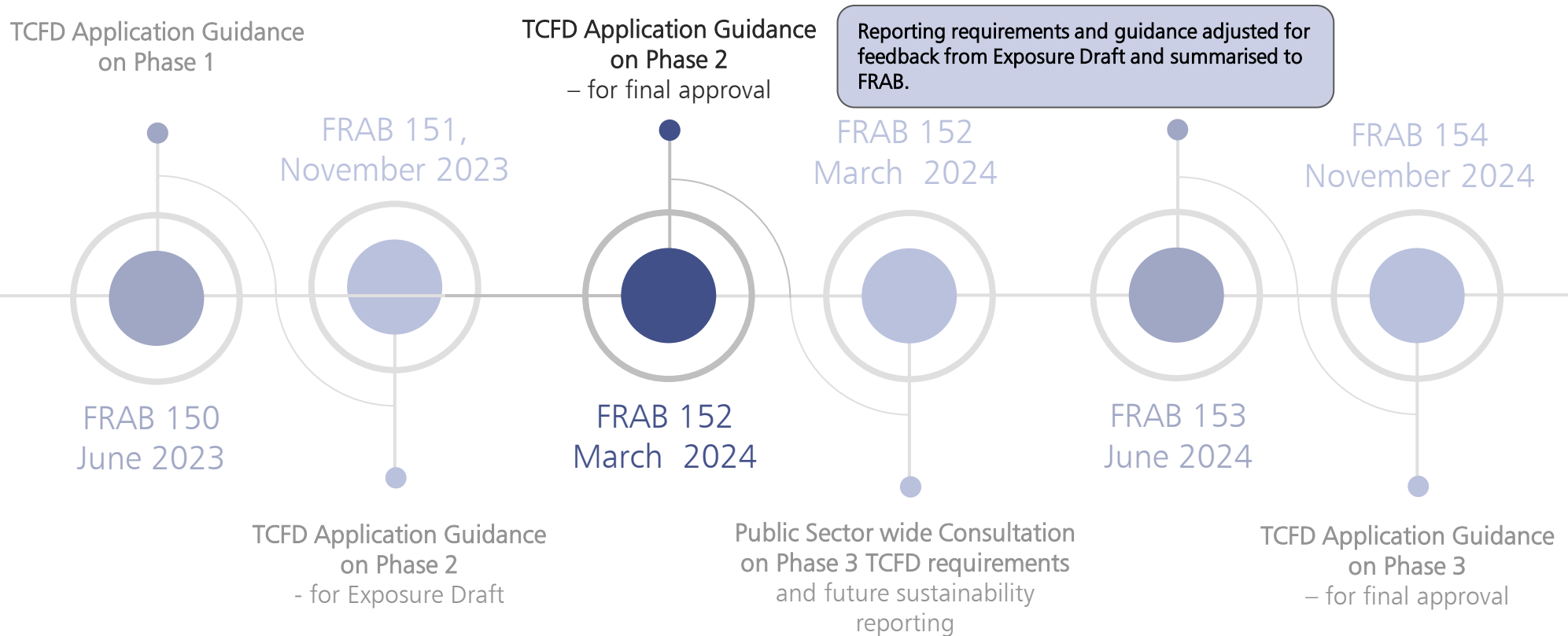


FRAB 154  
November 2024

Reporting requirements and guidance for 2024-25, including on:

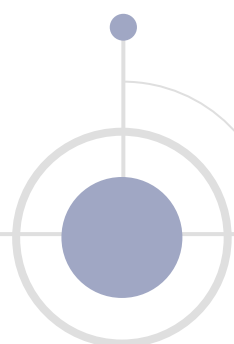
- Recommended disclosures for Risk Management (qualitative focus)
- Recommended disclosures for Metrics and Targets – comply or explain with focus on plans to address gaps for reporting Scope 1 and Scope 2 GHG emissions (aligning with GHG Protocol)
- No change for relevant authorities with existing reporting on Scope 1 and 2 emissions (aligning with GHG Protocol).

# Proposed timetable for developing TCFD-related guidance



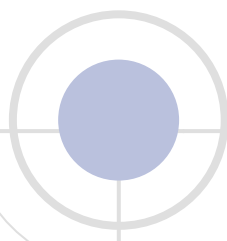
# Proposed timetable for developing TCFD-related guidance

TCFD Application Guidance  
on Phase 1



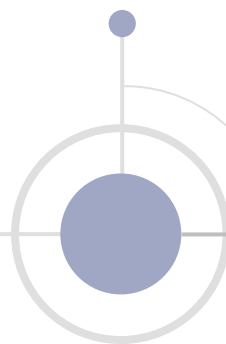
FRAB 150  
June 2023

FRAB 151,  
November 2023



TCFD Application Guidance  
on Phase 2  
- for Exposure Draft

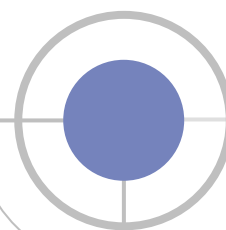
TCFD Application Guidance  
on Phase 2  
– for final approval



FRAB 152  
March 2024

Public Sector wide Consultation  
on Phase 3 TCFD requirements  
and future sustainability  
reporting

FRAB 152  
March 2024



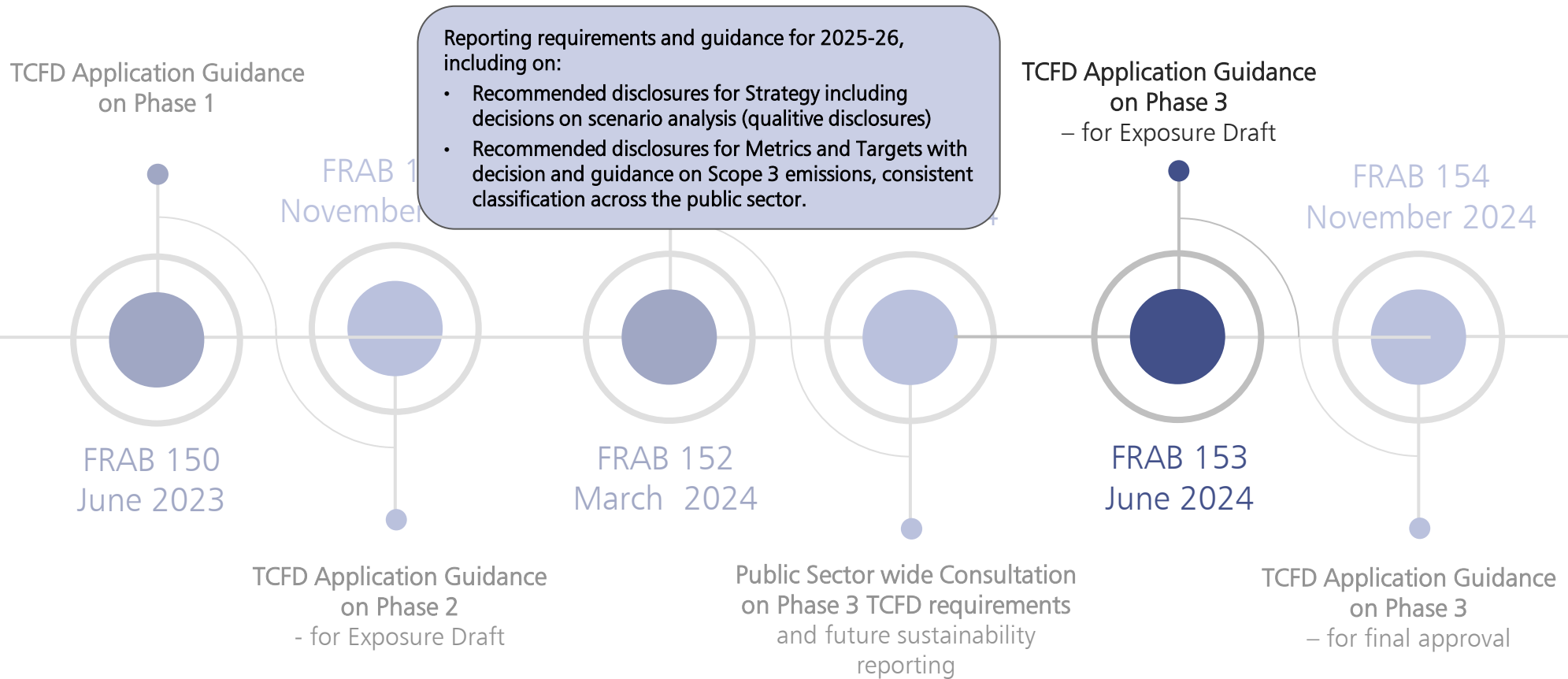
TCFD Application Guidance  
on Phase 3  
– for Exposure Draft

FRAB 154  
November 2024

Seeking views on more complex TCFD requirements and future plans, including:

- Guidance and requirements for Scope 3 GHG emissions – to be run in conjunction with BEIS that own public sector emissions reporting policy;
- Scenario analysis – including views scope, grouping, scenario alignment for comparability, etc. (quantitative focus)
- Future strategy including implementing the ISSB’s sustainability standards – note that the timetable to be adjusted based on the publication date for the ISSB’s sustainability standards.

# Proposed timetable for developing TCFD-related guidance



# Proposed timetable for developing TCFD-related guidance

