

# TCFD-aligned disclosure Exposure draft: Application guidance

Audit Scotland Response

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## Introduction

Audit Scotland has noted with interest your proposed application guidance for Phase 3 of the TCFD Aligned Disclosures.

Audit Scotland is responsible for over 200 audits in the Scottish public sector. Many of the public bodies, including the Scottish Government, agencies, non-departmental public bodies, health boards, and colleges, are required to follow the FReM.

Our comments are based on our extensive experience of interpreting and applying the FReM and supplementary guidance in the Scottish public sector. Our comments are provided to assist the application of the requirements to Scottish bodies with a view to consistent coverage across the UK. If you would like further information, please contact: Neil Cameron, Head of Professional Support and Learning ([ncameron@audit-scotland.gov.uk](mailto:ncameron@audit-scotland.gov.uk))

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## General comments on the Application Guidance

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### ***Consistent application of the guidance.***

We have encountered some practical challenges regarding the application of the guidance on phases 1 and 2 to the Scottish public sector. Currently, Treasury issue the TCFD application guidance, but leave it to each relevant authority to decide the extent to which it applies in their jurisdiction. In Scottish public bodies, and in the local government sector across the UK, this has led to inconsistent and unclear application. We would suggest that Treasury consider a different approach whereby there is joint ownership of the guidance for phase 3 with the other relevant authorities so the guidance and the timeframe for implementation throughout the public sector can be applied on a consistent and clear basis.

## Response to Exposure Draft Questions

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***Where we have not provided a specific response we are supportive of the proposal.***

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*Question 2 b) Is the additional detail on time horizons, impacts with respect to broader public sector considerations, and climate-related opportunities sufficiently clear? Do you support this public sector interpretation? If not, why not?*

We would suggest that the Public Sector Consideration section should recommend that bodies explain the time horizons adopted in the context of legislative requirements and public sector outcomes and targets set by the relevant authority.

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*Question 3 c) Are the disclosure requirements and guidance for quantification sufficiently clear? Do they strike the appropriate balance, considering the utility of the information for*

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*decision-makers and annual report users, as well as the ability of reporting entities to adequately make a quantified assessment? If not, why not?*

**In our view, although the guidance is clear and the reference at paragraph 3.40 to materiality is helpful, we would suggest additional guidance on the application of materiality would be useful to preparers. Guidance that materiality is specific to the body and is based on the nature and/or magnitude of the items to which the information relates.**

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*Question 4 Are you supportive of the adaptation to Strategy recommended disclosure c) to remove the revenue size thresholds consideration for robust scenario analysis; and instead apply this guidance in deciding the level of detail for climate scenario analysis? Do you believe further guidance is needed in this section? If so, what?*

**We support the adaptation to the revenue size threshold for the consideration of scenario analysis. However, we would suggest adding a reference to the materiality filter at paragraph 3.54 to add to the qualitative/quantitative considerations**

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*Question 5 Are you supportive of the application guidance setting a common reference periods of mid-century (2050s)? If not, why not? Which alternative reference period (or anchor point) would you suggest, if any?*

**We would suggest that the reference periods adopted by public bodies should be set in the context of legislative requirements and public sector targets set by the relevant authority. Paragraph 3.68 should be amended to reflect that for Scottish public bodies the setting of net zero targets is established in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The “net-zero emissions target year” set in the 2019 Act is 2045.**

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*Question 6 a) Are you supportive of the application guidance setting a common reference period of the end of the century (2080-2100)?*

*Question 6 b) Are you supportive of this reference period, only being required where reporting entities:*

- 1. own, manage or regulate significant long-life assets or infrastructure; or,*
- 2. deliver essential public goods and services which are likely to be significantly impacted by climate change; or,*
- 3. set longer term policy which is, or regulate industries/sectors that are, likely to be significantly impacted by climate change.*

*Do you support the chosen test characteristics? If not, why not? What alternative text characteristics would you suggest?*

*Is this guidance sufficiently clear for reporting entities? If not, why not?*

**We support the approach to setting the longer term reference period as the end of the century (2080-2100) and that this is mandatory only for those reporting entities that meet the characteristics set out at paragraph 3.64**

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*Question 7 Are you supportive of mandating a total of three reference periods (or points)? Are you supportive of near-term reference periods (or points) being selected by the organisation? Is this guidance sufficiently clear? If not, why not?*

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We support the mandating of three reference periods and providing flexibility for bodies to select their own near-term reference points. However, we would suggest a minor amendment to paragraph 3.66 to add reference to financial planning.

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