Australian Government
Australian Accounting Standards Board

Cover Memo

Project:	**Public Sector Climate Reporting**	**Meeting:**	AASB November 2025 (M216)
Topic:	**Preliminary research findings and next steps**	**Agenda Item:**	9.0
		Date:	3 November 2025
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Objective of this agenda item

1 The objective of this agenda item is for the Board to:

(a) **note** staff's progress on the Public Sector Climate Reporting Research project;

(b) **consider** the findings to date; and

(c) **decide** on the next steps.

2 This Cover Memo provides background information about the project and research methods adopted. A brief literature review is also provided.

Attachments

3 In addition to the Cover Memo, there is one paper in the **Combined Pack**:

Agenda Paper 9.1	**Preliminary findings and next steps**, which includes a summary of the main preliminary staff findings. The paper includes staff recommendations and questions for the Board regarding the next steps for public sector climate-related reporting. Staff intend to focus the Board's discussion on Agenda paper 9.1.

4 There are three additional **Board-only** papers in the **Supporting Materials** folder:

Agenda Paper 9.2	Analysis of the current climate-related disclosure regime Agenda Paper 9.2 contains a set of five staff-compiled supporting tables regarding the current climate-related disclosure regime. These tables consolidate evidence from desktop review and jurisdictional consultations and were developed as internal analysis tools to compare frameworks and practices across the Commonwealth, States and Territories.
Agenda Paper 9.3	Questionnaire sent to members of the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)
Agenda Paper 9.4	Responses received to the Questionnaire

Background

5 In October 2024, the Board issued AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and AASB S2 *Climate-related Disclosures*, developed based on IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB).

6 AASB S2 is mandatory for certain entities captured under section 292A of the *Corporations Act 2001*, but it is not automatically required for not-for-profit (NFP) public sector entities unless required by their controlling governments. When finalising AASB S2, the Board noted feedback from public sector stakeholders that the Standard may not be fully suitable for NFP public sector entities without further modification, given their different objectives, governance structures and accountability frameworks (see AASB S2.BC80).

7 To address these concerns, the Board added a Public Sector Climate Reporting project to its work program to consider whether modifications or additional guidance may be needed to support the consistent and effective application of AASB S2 by NFP public sector entities.

8 At its November 2024 meeting, the Board decided that the project should begin with research to gather information about how public sector climate-related information is currently being prepared across jurisdictions and to identify the users and user needs of such information in the public sector context. Accordingly, staff have begun:

(a) mapping existing and emerging climate-related reporting requirements and practices across Australian jurisdictions; and

(b) investigating the users of public sector climate-related information and their information needs.

9 Agenda Paper 9.1 provides an update on the progress of that research, summarises key findings and highlights potential areas for the Board's consideration.

Research context and approach

10 The research focused on:

(a) current climate-related disclosure practices and requirements for NFP public sector entities across Australian jurisdictions; and

(b) users and user needs of climate-related information in the public sector context.

11 To address these objectives, staff adopted a mixed-methods research approach, combining targeted stakeholder engagement and document analysis. Specifically, staff:

(a) distributed a questionnaire (Agenda Paper 9.3) to members of the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC), seeking information about:

- existing and proposed climate-related reporting requirements in each jurisdiction;
- examples of current disclosures; and
- identification of key users of such information and their purposes for using it.

(b) conducted

- 19 interviews (11 individual and 8 group sessions) with 45 participants representing Departments of Treasury and Finance, Treasury Corporations and financing authorities, Departments of Climate or Environment, Parliamentary Budget Offices, investors in or holders of sovereign bonds, and consultants involved in public sector climate reporting.[1]

(c) received additional written responses from several preparers and users, supplementing interview data.

(d) reviewed publicly available documents to corroborate and extend jurisdictional information, including annual reports, sustainability or environmental reports, State of the Environment reports, budget papers published by Commonwealth, State and Territory governments, relevant legislative instruments, policy frameworks, and guidance documents that reference climate or sustainability reporting.

12 All Australian jurisdictions participated in the outreach process, either through questionnaire responses (see Agenda Paper 9.4) or interviews, providing broad coverage across the Commonwealth and each State and Territory.

13 The data was compiled between March and September 2025.

14 Appendix A outlines how this approach aligns with the AASB's strategic objectives and standard-setting approach.

Literature Review

15 A literature review was also conducted. The scope of review focuses on:

(a) **Climate-related reporting by Australian Commonwealth, State and Territory Governments** – which focuses on studies conducted within the Australian context; and

(b) **Users and their information needs in relation to climate- or environmental-related reporting by public sector entities** – while centred on Australian public sector, this also draws on international literature to provide insights, recognising user types and information needs are often similar across jurisdictions.

16 To identify relevant papers, the following keywords were used: public sector, government*, climate, climate report* , environment, environment* report*, sustainab*, sustainab* report*, and Australia [for item 10(a)] and searched via Google Scholar. The search was conducted for the past 10 years [for

1 Staff did not target assurance specialists at this stage. However, one assurance representative was interviewed.

item 10(a)] and 20 years [for item 10(b)]. Additionally, staff included relevant articles identified within these papers.

17 The papers identified and reviewed are listed in Appendix B.

18 Staff identified:

(a) seven studies that considered environmental or climate-related reporting by the Australian Commonwealth, State or Territory governments since 2000; and

(b) eleven studies that considered user and user needs of climate-related for environmental information by central or state/regional governments in the last 15 years as outlined in Appendix C.

19 Overall, the literature review shows that during the investigated period:

(a) there was inconsistent reporting of varying quality (Lynch 2010 and Goswami and Gerritsen 2021);

(b) there was limited and inconsistent application of the Global Reporting Initiatives (GRI) Framework[2] (Guthrie and Farneti (2008) Farneti and Guthrie 2009, Lynch 2010, Goswami and Gerritsen 2021) and GRI was not fit for purpose of the public sector (Guthrie and Farneti 2008, Farneti and Guthrie 2009) or required improvements (Lynch 2010); and

(c) climate reporting is dependent on factors such as internal and political support, rather than legitimacy reasons (Frost and Seamer 2002, Farneti and Guthrie 2009, Lodhia at al. 2012, Lodhia and Jacobs 2013).

20 The review of research related to users and user needs of climate-related information by central or state/regional government entities:

(a) Identifies a wide range of users (Guthrie and Farneti 2008, Dumay et al. 2010, Edwards et al. 2020, Manes-Rossi et al. 2020, Beirne et al. 2021, Gherardi et al. 2021, Adebayo and Ackers 2022, Cevik & Jalles 2022, CIPFA 2023, Klusak et al. 2023, Edgar and Stewart 2024) and placing an emphasis on investors and sovereign bond holders (Edwards et al. 2020, Beirne et al. 2021, Cevik & Jalles 2022, Klusak et al. 2023); and

(b) highlights a growing interest in government climate-related reporting, including reporting about policies and programs as an important tool for governments to be able to discharge their accountability.

21 Lastly, the literature review shows that there is a limited body of research that investigates climate-related disclosures at the central or state/territory/regional level, as previously identified by Cappallieri et al. (2025) and Manes-Rossi et al. (2020). This suggests an opportunity for further research, particularly in the context of the rapidly evolving developments in the standard-setting space.

2 All studies identified investigated the application of GRI. Staff did not identify literature that investigated the application of other frameworks, such as the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

Appendix A: Alignment with the AASB's Strategic Objectives and Standard-Setting Approach

1 As the Board has noted stakeholder feedback about public sector specific concerns, undertaking further research is in line with:

(a) AASB Strategic Objective 7 to develop guidance and education initiatives, or promote development by others, to enhance the consistent application of accounting and external reporting standards and guidance.to develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced.

(b) paragraph 16 (g) and (h) of the AASB Sustainability Reporting Standard-Setting Framework, which requires that the Board consider the need for Australian-specific Sustainability Reporting Standards or guidance when there is evidence of undue widespread and significant diversity in sustainability reporting practices exists (e.g. the results of AASB research); and/or (h) Australian public interest issues provide a compelling reason to do so.

(c) paragraph 35 (g) of the AASB Not-for-Profit Entity Standard-Setting Framework, which requires that the AASB considers the need for NFP-specific Standards, amendments, guidance or examples when evidence of undue widespread and significant diversity in accounting practices exists (e.g. the results of AASB research or the ACNC's monitoring of financial reporting).

(d) paragraph 5 of the AASB Evidence-Informed Standard-Setting Framework to obtain appropriate evidence for all key projects to improve the relevance and timeliness of information available to the AASB for its decision-making activities.

Appendix B: References used in literature review

Adebayo, A. and Ackers, B., 2025. Comparative sustainability disclosure in state-owned enterprises: insights from Oceania countries. *Pacific Accounting Review*. Available at: https://doi.org/10.1108/PAR-12-2024-0340.

Beirne, J., Renzhi, N. and Volz, U., 2021. Feeling the heat: Climate risks and the cost of sovereign borrowing. *International Review of Economics & Finance*, 76, pp.920–936. Available at: https://doi.org/10.1016/J.IREF.2021.06.019.

Cappellieri, F., Lombardi, R., Pizzo, M. and Vinciguerra, R., 2025. Environmental reporting in public sector organizations: A review of literature for the future paths of research. *Financial Accountability & Management*, 41, pp.159–199. Available at: https://doi.org/10.1111/faam.12411.

Cevik, S. and Jalles, J.T., 2022. This changes everything: Climate shocks and sovereign bonds. *Energy Economics*, 107, p.105856. Available at: https://doi.org/10.1016/J.ENECO.2022.105856.

CIPFA, 2023. *Public sector sustainability reporting: Time to step it up*. London: Chartered Institute of Public Finance and Accountancy. Available at: https://www.cipfa.org/-/media/files/publications/cipfa-report-sustainability-reporting-time-to-step-it-up-april-2023.pdf [Accessed 30 Oct. 2025].

Dumay, J., Guthrie, J. and Farneti, F., 2010. GRI sustainability reporting guidelines for public and third sector organizations. *Public Management Review*, 12(4), pp.531–548.

Edgar, V.C. and Stewart, E., 2024. Making sense of climate change in central government annual reports and accounts: A comparative case study between the United Kingdom and Norway. *Financial Accountability & Management*. Available at: https://doi.org/10.1111/faam.12409.

Edwards, I., Yapp, K., Mackay, S. and Mackey, B., 2020. Climate-related financial disclosures in the public sector. *Nature Climate Change*, 10(7), pp.588–591. Available at: https://doi.org/10.1038/S41558-020-0785-1.

Farneti, F. and Guthrie, J., 2009. Sustainability reporting by Australian public sector organisations: Why they report. *Accounting Forum*, 33(2), pp.89–98. Available at: https://doi.org/10.1016/J.ACCFOR.2009.04.002.

Frost, G.R. and Seamer, M., 2002. Adoption of environmental reporting and management practices: An analysis of New South Wales public sector entities. *Financial Accountability & Management*, 18(2), pp.103–127. Available at: https://doi.org/10.1111/1468-0408.00147.

Gherardi, L., Linsalata, A.M., Gagliardo, E.D. and Orelli, R.L., 2021. Accountability and reporting for sustainability and public value: Challenges in the public sector. *Sustainability*, 13(3), p.1097. Available at: https://doi.org/10.3390/SU13031097.

Goswami, K. and Gerritsen, R., 2021. Internal sustainable development commitment of public agencies in three Australian states: Evidence through sustainability reporting practices. *International Journal of Sustainability Policy and Practice*, 17(1), pp.1–18. Available at: https://doi.org/10.18848/2325-1166/CGP/V17I01/1-18.

Guthrie, J. and Farneti, F., 2008. GRI sustainability reporting by Australian public sector organizations. *Public Money & Management*, 28(6), pp.361–366. Available at: https://doi.org/10.1111/J.1467-9302.2008.00670.X.

Klusak, P., Agarwala, M., Burke, M., Kraemer, M. and Mohaddes, K., 2023. Rising temperatures, falling ratings: The effect of climate change on sovereign creditworthiness. *Management Science*, 69(12), pp.7468–7491. Available at: https://doi.org/10.1287/MNSC.2023.4869.

Lodhia, S., Jacobs, K. and Park, Y.J., 2012. Driving public sector environmental reporting: The disclosure practices of Australian Commonwealth departments. *Public Management Review*, 14(5), pp.631–647. Available at: http://dx.doi.org/10.1080/14719037.2011.642565.

Lodhia, S. and Jacobs, K., 2013. The practice turn in environmental reporting: A study into current practices in two Australian Commonwealth departments. *Accounting, Auditing & Accountability Journal*, 26(4), pp.595–615.

Lynch, B., 2010. An examination of environmental reporting by Australian state government departments. *Accounting Forum*, 34(1), pp.32–45. Available at: https://doi.org/10.1016/j.accfor.2009.11.001.

Manes-Rossi, F., Nicolò, G. and Argento, D., 2020. Non-financial reporting formats in public sector organizations: A structured literature review. *Journal of Public Budgeting, Accounting & Financial Management*, 32(4), pp.639–669. Available at: https://doi.org/10.1108/JPBAFM-03-2020-0037.

Appendix C: Users and user needs of public sector climate-related information

Staff searched for literature that considered user and user needs of climate-related environmental information by central or state/regional governments in the last 15 years. The review identified eleven studies, as summarised in the table below.

External User Group	Information Sought	Study
Investors and financial institutions	• Climate-related financial risks • Sovereign creditworthiness • Emissions data • Scenario analysis	Edwards et al. (2020) Beirne et al. (2021) Cevik & Jalles (2022) Klusak et al. (2023)
Credit rating agencies	• Impact of climate change on sovereign credit ratings and fiscal sustainability	Klusak et al. (2023)
Financial regulators Policymakers	• Risk management • Alignment with climate goals • Transparency in public sector climate action • Decision-useful information to support policy making	Edwards et al. (2020) CIPFA (2023) Klusak et al. (2023)
Citizens and the general public	• Accountability • Transparency • Environmental and social impacts • Understandable and accessible reporting	Guthrie and Farneti (2008) Dumay et al. (2010) Manes-Rossi et al. (2020) Gherardi et al. (2021) Adebayo and Ackers (2022)
EU institutions and funding bodies	• Alignment with Sustainable Development Goals • Effective use of EU funds • Regional sustainability outcomes	Gherardi et al. (2021)
Central Government departments	• Guidance on how to understand and report climate change • Accountability to national and international frameworks	Edgar and Stewart (2025)
Oversight bodies (e.g. parliaments and audit bodies)	• Evaluation of public sector performance • Compliance with sustainability commitments	Guthrie and Farneti (2008) Manes-Rossi et al. (2020) Adebayo and Ackers (2022) Edgar and Stewart (2024)
NGOs and advocacy groups	• Environmental and social accountability • Legitimacy of public sector actions	Dumay et al. (2010)