



HM Treasury

Sustainability Reporting Guidance:

2023-24

July 2023

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Foreword

Context

This document sets out the principles and standards underpinning sustainability reporting for use in central government. This report outlines the minimum statutory reporting requirements, some best practice examples, and underlying principles to be adopted. The guidance is applicable to all central government bodies that fall within the scope of the Greening Government Commitments (GGCs), and which produce annual reports and accounts in accordance with the Government Financial Reporting Manual (FReM)¹.

Years of applicability

This sustainability reporting guidance applies to reporting periods from 2023-24.

Substantive changes from 2022-23

The Sustainability Reporting Guidance (SRG) for 2023-24 has been updated to clarify existing sustainability reporting requirements, as well as to more clearly set out best practice reporting.

This section sets out the main areas where the guidance has been changed from 2022-23:

- Chapter 1 – identifies and cross references to the new requirements in the [Task Force on Climate-related Financial Disclosure \(TCFD\)-aligned disclosure application guidance](#). This guidance is applicable for central government annual reports and accounts from 2023-24.
- Chapter 2 – added information on the linkage between the existing Greenhouse Gas emissions reporting requirements (set out in this guidance) and the new TCFD-aligned disclosure requirements. References to the Department for Business, Energy and Industrial Strategy (BEIS) have been replaced by references to the Departments for Energy Security and Industrial Strategy (DESNZ). Reporting entities should make similar updates in their sustainability reporting where appropriate.

Other changes to the guidance wording and structure to improve the clarity and readability.

¹ Annually, HM Treasury publishes the FReM: www.gov.uk/government/collections/government-financial-reporting-manual-frem

Chapter 1

Overview: Introduction to sustainability reporting

1.1 This document sets out the principles and standards underpinning sustainability reporting mandated for use in central government. In addition to the mandatory reporting, this guidance also includes further information and voluntary/best practice reporting, where entities want to go further than minimum reporting.

1.2 This chapter provides a general overview of sustainability reporting, including:

- the purpose of sustainability reporting (paragraph (para) 1.4 to 1.8)
- the requirements (para. 1.12 to 1.19)
- the reporting principles and format (1.20 to 1.34)
- performance improvement and measurement (1.37 to 1.41)
- de minimis thresholds and other exemptions (para. 1.43 to 1.47)
- omissions, errors and materiality (1.48 to 1.50)
- resilience, scrutiny and audits (para. 1.54 to 1.60)

1.3 Further chapters in this guidance are organised by government commitments:

- [Chapter 2](#) on Mitigating climate change: working towards Net Zero by 2050
- [Chapter 3](#) on Minimising waste and promoting resource efficiency
- [Chapter 4](#) on Finite resource consumption and reducing our water use
- [Chapter 5](#) on Other reporting requirements
- [Chapter 6](#) on Further voluntary reporting

Purpose

1.4 The purpose of sustainability reporting is to provide transparency on public sector performance on sustainability in organisations year-on-

year. This guidance document sets out the statutory reporting requirements for sustainability reporting, applicable to all central government bodies that fall within the scope of the Greening Government Commitments (GGCs)² and which produce annual reports and accounts in accordance with HM Treasury's Government Financial Reporting Manual (FReM). The FReM specifies these bodies are required to report on sustainability, unless exempted from doing so.³

1.5 In certain areas, the sustainability reporting requirements for other public sector bodies aligns with the requirements set out in this guidance. Preparers outside of the scope of GGCs may choose to follow this guidance for their sustainability reporting either where there is alignment or where they have flexibility to do so. Public sector bodies are responsible for ensuring they meet their statutory reporting requirements.

1.6 For the majority of reporting requirements, the SRG is aligned with the GGCs. However, for specific (mostly statutory) sustainability reporting requirements, HMT has aligned with other regulation, legislation or guidance. These differences are detailed in Annex D. For consistency, the reported figures to comply with this guidance should be consistent with the figures submitted to Defra for the GGCs annual report. If there is a difference, explanations should be provided during the GGCs reporting process.

1.7 Reporting organisations are encouraged to report beyond these minimum requirements, including areas such as the economic, social and environmental impacts that are most material to their organisation, and how these relate to the policy, procurement and operations of the reporting entity.

1.8 This guidance is not applicable to the devolved governments of Northern Ireland, Scotland and Wales, which follow their own arrangements in respect of sustainability reporting. This guidance is also not applicable to local government entities.

Current and future developments

Task force on Climate-related financial disclosure (TCFD) recommendations

1.9 HM Treasury has announced plans to implement TCFD-aligned disclosure in central government⁴. This will impact certain reporting entities in central government. Preparers should consult the recently

² This excludes schools and NHS bodies, but includes trading funds, unless exempt. In producing consolidated sustainability reporting Department for Education (DfE) would therefore only include its agencies and Non-Departmental Public Bodies (NDPBs). Department for Health and Social Care (DHSC) would only include its agencies and NDPBs.

³ Sustainability reporting is not mandatory for entities that are not required to report against the GGCs due to exemption by de minimis threshold or other exemption.

⁴ The Mobilising Green Investment: 2023 Green Finance Strategy on www.gov.uk/government/publications/green-finance-strategy

published [TCFD-aligned disclosure application guidance](#) to determine whether they are in scope of these requirements. Central government bodies implementing TCFD-aligned disclosure, are still required to comply with the reporting requirements set out in this guidance.

1.10 HM Treasury has updated certain sections of this guidance to complement TCFD-aligned disclosure including para. 2.6 and 6.3.

International standard setters

1.11 HM Treasury, the Financial Reporting Advisory Board (FRAB) and other relevant authorities, are cognisant of developments by international standard setters (e.g., the International Sustainability Standards Board (ISSB), International Public Sector Accounting Standards Board (IPSASB)) efforts to develop international sustainability disclosure standards frameworks. The progress by these standard setters, as well as developments in the UK private sector, will influence decisions over the public sector's future sustainability reporting strategy. No further action is required by reporting organisations at this time.

Requirements overview

1.12 Organisations are strongly encouraged to demonstrate, through integrated reporting, how sustainability is an essential characteristic within strategic objectives, operations and policy making. It is also important to reflect what the risks are to achieving integrated reporting and how these risks are being managed. Additional context must be given to explain areas of particular focus and those which are the most material to the organisation.

1.13 The FReM has an overarching requirement for performance reporting to be 'fair, balanced and understandable' and this also holds true for sustainability reporting. It must highlight both good and bad performance along with aims and plans to improve areas where targets are not being met.

1.14 Mandatory reporting on some environmental sustainability measures must also be included within ARAs to ensure continued transparency and consistency across central government. This aligns with compulsory requirements for certain private sector entities to report on greenhouse gas (GHG) emissions but has a wider scope to include those requirements detailed below. The minimum sustainability reporting requirements described in this guidance align closely with non-financial information requirements laid down under the GGCs (refer to [Annex D](#) for a list of differences between annual reporting requirements in this guidance and the [GGCs reporting requirements](#)).

1.15 The following table provides an overview of the minimum requirements in each of the main reporting areas.

Table 1.A Overview of minimum reporting requirements in each of the main reporting area

Type	Non-financial information	Financial information
Overall GGCs performance	<p>Departments must evaluate their performance for each of the GGCs:</p> <ul style="list-style-type: none"> • Mitigating climate change: working towards Net Zero by 2050; • Minimising waste and promoting resource efficiency; • Reducing our water use; • Procuring sustainable products and services; • Nature recovery and biodiversity action planning; • Adapting to climate change; and, • Reducing environmental impacts from ICT and Digital. <p>Furthermore, departments must identify any sub-targets missed or unlikely to be met.</p> <p>Other central government bodies must report on the required indicators and targets (laid out in this table). There may be certain commitments, targets or sub-targets that are either not relevant; or that reporting entities are unable to accurately/appropriately evaluate their performance against. In these circumstances, reporting entities may omit an overall performance evaluation and just comply with the requirements relevant to the organisation - explaining omissions where appropriate.</p>	Not Required

GHG emissions - Scope 1 (Direct)	All Scope 1 emissions ⁵ must be accounted for. These occur from sources owned or controlled by the organisation. Examples include emissions as a result of combustion in boilers owned or controlled by the organisation and fugitive emissions from equipment such as air conditioning units. This includes emissions from organisation-owned fleet vehicles (including vehicles on lease). An analysis of related gas consumption, in kWh, must also be included.	Gross expenditure on the purchase of energy, expenditure on accredited offset purchases, total expenditure on official business travel and expenditure on reported areas of energy.
GHG emissions - Scope 2 (Energy indirect)	All Scope 2 emissions must be accounted for. These result from the energy consumed which is supplied by another party (e.g. electricity supply in buildings or outstations), and purchased heat, steam and cooling. An analysis of related energy consumption, in kWh, must also be included.	
GHG emissions - Scope 3 (Official business travel)	Scope 3 emissions relating to official business travel directly paid for by an organisation (i.e., not business travel re-charged by contractors) must be accounted for. In line with 2021-25 GGCs, minimum reporting requirements include both international and domestic travel.	Refer to previous page
Travel – Car fleet	Where central government bodies own, hire or lease car fleets, they must indicate the percentage categorised as Ultra-Low Emission Vehicle for the 2022 target and Zero Emission for the 2027 target.	Not required.
Waste minimisation	The minimum requirement is to report absolute (in metric tonnes) values for waste from the organisation's estate (administrative and operational but	Total expenditure on waste disposal

⁵ The [GHG Protocol](#) defines emissions under three different scopes. The scopes are explained in [Chapter 2](#).

and management	operational construction waste is not a minimum requirement) against the following categories: <ul style="list-style-type: none"> • total waste arising • total waste recycled • total ICT waste recycled, reused and recovered (externally) • total waste composted/ food waste from 2022 • total waste incinerated with energy recovery • total waste incinerated without energy recovery • total waste to landfill 	(including waste disposal contracts, specialist waste arising and the purchase of licenses for waste) and expenditure against each of the categories opposite.
Paper use	Organisations are required to measure the quantity of paper they purchase in A4 reams equivalents. Central government bodies must report on their paper usage, with the minimum requirement being to state the percentage reduction on baseline.	Not required.
Waste minimisation and management	Central government bodies must evaluate progress to meeting the government commitment to remove all Consumer Single Use Plastics (CSUP) from the central government estate. Central government bodies must report on the introduction and implementation of reuse schemes across their estate.	Not required.
Finite resource consumption	As a minimum, central government bodies must report on estates water consumption in cubic meters. Central government bodies must also consider reporting their consumption of any other finite resources where their use is material.	Total expenditure on purchase of related finite resources including purchase of licenses.

Sustainable procurement	Organisations must report how they have embedded sustainability into their procurement practices regarding guidance on the good procurement practice (e.g., Flexible Framework or BS8903), the use of the Government Buying Standards and management of supply chain impacts, as required by GGC. Entities are required to report on any other methodologies that are used such as Energy Performance Contracting, Timber Procurement Policy and new business models like leasing. Organisations must also include where they procure their food and catering services from.	Not required.
Nature Recovery and Biodiversity action planning	<p>Central government bodies that hold significant natural capital or landholdings must:</p> <ul style="list-style-type: none"> • summarise their Nature Recovery Plans (NRPs) for their land, estates, operations and resources, develop and delivered as part of the GGCs requirements. These should be grounded in natural capital assessments where possible and commit to area-based targets for delivery. • detail their Natural Capital Approach and the organisation's performance towards it. Alternatively, they may provide an explanation to the annual report users of why a natural capital approach was not deemed necessary. Defra has issued guidance on Enabling a Natural Capital Approach. <p>If they have a biodiversity action plan, they should summarise the plan and provide biodiversity indicators if considered useful for the reader. Where the department doesn't have a biodiversity action plan, they must explain the reason.</p>	Not required.
Climate Change Adaption	<p>Central government bodies must provide a summary of how they are developing and implementing a climate change Adaptation Strategy for their department.</p> <p>Central government bodies may wish to give a high-level statement and describe specific actions they are undertaking where appropriate. Where relevant,</p>	Not required.

	organisations may wish to note actions and policy set out in the current National Adaptation Programme.	
Reducing environmental impacts from ICT and Digital	In line with the GGCs requirements, central government bodies must report on how they are reducing environmental impacts from ICT and Digital, being careful to include measures and tangible outcomes, as well as, including commentary on overall ICT and Digital policy with reference to ethical and environmental standards.	Not Required
Sustainable Construction	Where construction or refurbishment projects have been undertaken during the reporting period, reporting entities must: Explain how sustainability was embedded into the selection and contracting process for the main contracting parties; Compare the success of any projects to standards (e.g. Building Research Establishments Environmental Assessment Method (BREEAM) for construction and refurbishment projects).	Not Required.

Minimum non-financial reporting requirements

1.16 The non-financial information, in Box 1.A, should, where possible, be collected from current systems, for example the environmental management systems, to regularise the collection of such information throughout the year. This may require additions/changes to new or existing systems (e.g., fields to capture quantitative information, additional subjective codes in financial systems etc.) or processes. These should be identified as early as possible so that the necessary changes can be made to capture the required information.

Streamlined Energy and Carbon Reporting (SECR)

1.17 The Streamlined Energy and Carbon Reporting (SECR) framework came into force on 1 April 2019 and simplifies the carbon and energy reporting requirements for business. The framework extends the number of organisations required to report on their energy usage and emissions in their company annual reports, as well as on an intensity metric and energy efficiency action in the previous 12 months. This mandatory reporting obligation falls on all large or quoted companies and large limited liability partnerships incorporated in the UK.

1.18 Public sector bodies must carefully assess if there are entities which fall within their boundary for consolidation purposes which would be required to report under SECR.

1.19 Public sector bodies falling into the scope of the SECR framework must ensure that their reporting methodology aligns with the latest available [SECR guidance within the Environmental Reporting Guidelines \(ERG\)](#). Figure 1. in Chapter 2 details the legislative framework for GHG emissions reporting across the private and public sector.

Reporting principles

Reporting period

1.20 All information included in sustainability reporting must conform to the normal public sector financial year of 1 April to 31 March (recognising that UK strategic carbon budgets are set by calendar year).

1.21 Financial information should be collected through the normal financial systems, with financial system accounts coding providing clarity of cost capture in alignment with audited year-end financial accounts. This will also provide internal visibility for in-year monitoring purposes and will assist in the development of any future performance management targets in expenditure areas.

Sustainability reporting format and structure

1.22 There is no prescribed proforma for reporting – organisations must develop their own format to fit their business but are reminded that integrated reporting is strongly encouraged. The reporting format must provide minimum information requirements (including nil

returns) and comparisons of data for at least the previous three years (as it becomes available) - as detailed in 1.39 to 1.41.

1.23 Sustainability reporting forms a component of the performance analysis. The FReM offers further guidance to organisations for preparing the performance analysis section of their annual report and accounts.

1.24 Organisations that are more advanced in their reporting may wish to add on additional sections to cover other aspects. Further voluntary reporting information has been included in [Chapter 6](#). The reporting entity may also refer the reader to other relevant published reports on the organisation's website if performance is already covered elsewhere.

Sustainability reporting accounting boundary

1.25 The departmental sustainability reporting accounting boundary aims to match, in principle, the departmental financial reporting boundary as detailed in the FReM.

1.26 Where the financial reporting boundary is different from that used by the department for full sustainability reporting (e.g., NHS bodies and schools fall outside the scope of GGCs and hence sustainability reporting), then an analysis of financial information must be provided to allow reconciliation with the sustainability reporting accounting boundary. In essence, this means that the bodies/areas included are clearly distinguished from those not included – showing the related financials as per the organisation's financial statements. This will help the reader understand the materiality from a financial perspective. Para. 1.48 provides guidance on explaining the difference where the reasons for non-inclusion are due to lack of information (e.g., phased implementation).

1.27 Setting the public sector sustainability reporting accounting boundary in accordance with the financial reporting guidelines will in most cases result in reporting for all areas for which the organisation has direct control. However, some more specialised arrangements will need to be considered:

- outsourcing contracts – for example, in terms of carbon emissions that could be considered to be Scope 3 (and therefore may not be part of the minimum reporting requirements) but the scale and nature of the arrangement may make it more appropriate for inclusion in reports
- any PPP arrangements, including PFI contracts

1.28 For the specialised arrangements above, the financial reporting treatment provides the basis on which the treatment of these arrangements will be considered on a case-by-case basis. Where there are significant outsourcing contracts the reporting of the resultant emissions is encouraged as soon as possible as part of the best practice

Scope 3 emissions, but they must not be treated as Scope 1 or 2 emissions if the financial reporting treatment suggests otherwise.

1.29 The financial reporting guidelines which establish the reporting boundaries of Scope 1 and 2 emissions are those that determine whether related assets and liabilities are included in the Statement of Financial Position. In order to retain consistency with the GGC, overseas operations are excluded from the reporting requirements.

Consistency within the sustainability reporting accounting boundary

1.30 The top level of organisations (generally departments) must communicate clear accounting treatments or policy for areas in this guidance where discretion is given. The key is ensuring that treatments are consistent within organisations and from year-to-year so that trends can be easily recognised and understood. Where inconsistencies within accounting boundaries or between different years exist, they must be explained. However, this must not detract from continuous improvement in data provision: the key is to ensure that the reader is clear on what is being reported, what is missing and what future plans exist for developing the information.

1.31 Where organisations undergo strategic restructuring, disclose previously omitted non-financial reporting data, or change the accounting policy or boundary, there could be a material impact on the way emissions, waste and/or finite resources are reported, or on their method of calculation. These must be brought to the attention of the reader in the narrative, on the organisation's website or similar.

1.32 Under these circumstances, organisations must state their policy for re-baselining any reported information and this must be consistent with the guidance set out by the GGC. When changes occur, organisations will be required to submit a re-baselining request under the requirements of the GGC. The re-baselining request will be reviewed by the GGCs re-baselining panel along with supporting evidence. If the request is approved the baseline boundary must be restated accordingly.

Shared services and facilities including multiple occupancy sites

1.33 Where a reporting entity shares a service or a facility with another organisation, consideration must be given as to how shared sustainability data should be split in relation to the different accounting boundaries. Where this relates to two or more public sector organisations, the method must be jointly agreed to ensure consistency. The agreed method must be properly documented for audit purposes.

1.34 Where the impact between the different organisations is material, steps must be taken to ensure that actual consumption can be measured for each organisation and costs properly attributed.

1.35 Central government bodies must apply the reporting requirements for multiple occupancy sites detailed in Defra's [GGCs reporting requirements](#). If central government bodies choose to report under a different allocation basis (e.g., aligning with a separate emissions reporting framework) a reconciliation between the totals should be included.

1.36 The non-financial data reported may be set on a different basis than the financial data (e.g., electricity consumption, where electricity is re-charged). In such circumstances, the organisation must consider the best form of reporting for their organisation in terms of being transparent on their sustainability performance in their annual report

Performance improvement and measurement

1.37 This guidance does not cover advice on the setting of performance measures, commitments or targets. Some public sector organisations already have sustainability measures against which they must report. The government has set GGCs for central government bodies.

1.38 The NHS has published its own Green Plans and offers the Sustainable Development Assessment Tool (SDAT)⁶ which aligns with the GGCs and UN Sustainable Development Goals.

1.39 Defra issued guidance on [Environmental key performance indicators: Reporting guidelines for UK business](#) to help the private and public sector identify and set suitable measures and key performance indicators (KPIs).

Reporting performance against measures

1.40 Where relevant measures have been set, performance against them must be reported. If performance has already been published elsewhere, an overview of performance with a link to the details is acceptable. The commentary must be clear as to whether performance is improving or worsening and not assume that the reader will understand the metrics.

1.41 When reporting against measures, it must be clear as to which years have been set as the baseline. The GGCs establish a baseline year for the indicators it covers and to ensure consistency the same baselines must be used.

1.42 Organisations must provide prior year data (e.g., three to five years as reported information becomes available) to provide a historical perspective of performance. Where a base year is used as a basis of performance monitoring, the base year data must be updated and reported in line with changes in accounting policies and boundaries. When material changes occur, the prior-year figure reported for comparative purposes must also be updated with an explanation being

⁶ Green Plans replace SDMP (2018) in Jan 2020 SDAT, which tracks internal metrics and targets, replaces Good Corporate Citizenship (2008) in 2017. Both were developed by [the Sustainable Development Unit](#).

provided. Where possible, the organisation should also compare performance against other benchmarks such as similar organisations. Prior period comparative information should not go beyond the baseline year.

De minimis thresholds and other exemptions

1.43 De minimis thresholds and other exemptions granted in respect of sustainability reporting align with GGCs exemptions. In situations where some, or all, of the GGCs criteria for potential exemptions apply, bodies may request exemptions for some, or all, of the targets.

1.44 Meeting the exemption criteria alone, does not guarantee an organisation's GGCs exemption. Reporting entities must apply to Defra's GGCs team for an exemption, and be approved.

1.45 GGCs criteria for potential exemptions:

- de-minimis threshold - arm's length bodies and executive agencies (not government departments) occupying less than a total of 500m² of floor area and with fewer than 50 FTE staff ⁷;
- where there are no safe, technically feasible, and environmentally friendly options available for meeting the commitments; and/or
- where application of the commitments might deliver a perverse outcome; and/or
- where an organisation has dual or multi-status (e.g., being both an NDPB and a trading body).

1.46 Central government bodies with GGCs exemptions, that do not report in line with this guidance, must briefly explain the reason for not reporting. For example:

Defra has granted Body A an exemption from reporting sustainability information under the Greening Government Commitments, under the de minimis criteria (e.g., *Body A employs 10 Full Time Equivalents (FTEs) staff and occupies office floor space of 132m². Consequently, Body A has not included sustainability reporting in their annual report*).

1.47 Central government bodies fully or partially exempted from the GGCs, must ensure they meet the minimum sustainability reporting requirements imposed on them by statute and regulations.

⁷ For the de-minimis threshold, total floor space is based on a portfolio level and not at an individual site level. The total floor space is before any application to vary reporting between departments on multiple occupancy sites has been applied/accepted. FTEs must be based on the average across the period.

Omissions, errors and materiality

Availability of underlying data: material omissions and use of estimates

1.48 Where information is not available to populate the minimum reporting requirements, estimates must be used by means of a clear, documented methodology.

1.49 The methodology for estimates will be left to the discretion of the reporting entity to ensure that it is able to use that which is most appropriate. The ERG includes guidance on estimating usage.

1.50 Where a robust estimate cannot be calculated, and this results in a material omission of information or data, the entity must provide an explanatory note which explains what plans are in place to improve data collection. This note can be reported either directly in the annual report and accounts or on the organisation's website.

Amending prior-period figures

1.51 As set out in 1.30, there may be changes that have a material impact on the way information is reported. When these changes happen, prior-year figures must be re-stated, where data is available, using the new policy or boundary for comparative purposes. Generally, the assessment of materiality is a matter of accounting judgement rather than policy. Advice in relation to the organisation must, in the first instance, be sought from accounting colleagues.

1.52 Occasionally other factors may come to light, such as errors of omission or calculation, which will result in a material change to published prior year figures. In such circumstances the prior-period figures must be restated in the annual report and accounts and the nature of the change must be brought to the attention of the reader, with a link to a more detailed explanation, on the organisation's website or similar.

Application of the materiality concept

1.53 Organisations must account for all of the minimum requirements with as much accuracy as possible. The materiality concept must only be applied to decisions on reporting or amendments to reporting in relation to providing a fairly stated view of the information for the reader. Where there is some concern that data is incomplete a note must be made in the narrative, with a link to a more detailed explanation on the organisation's website.

Reliance, scrutiny and audit

Information provided by third parties

1.54 Third parties often provide the required information for sustainability reporting including:

- travel providers for carbon data related to travel sourced through them
- waste contractors providing details of waste
- water and energy suppliers for the reporting of finite resources

1.55 Central government organisations making use of such information must ensure that it has been calculated in accordance with the requirements of this guidance. They must also ensure that it is of sufficient quality to meet any audit requirements.

1.56 It is recognised that, for large contracting organisations, the capture of sustainability information from contractors may present difficulties. Where gaps in information exist as a result, these must be recognised in the commentary along with proposals for bridging the gap in future.

Audit and scrutiny

1.57 Whilst external assurance and verification of reported figures is not required for sustainability reporting, it is important that all organisations have relevant audit or scrutiny arrangements to ensure that the correct procedures are in place to produce robust data on performance. This must provide an entity's senior management with appropriate assurance about the quality of financial and non-financial data and information included as part of sustainability reporting. Internal arrangements must include:

- appropriate policies and procedures for recording and reporting data, which are consistent with the guidance on minimum requirements, and are applied in practice
- appropriate systems and processes to secure the quality of the data, minimising manual intervention and the number of data sources
- arrangements to ensure that relevant staff have the skills to produce reliable sustainability information
- a robust system of internal control and validation

1.58 The organisation's arrangements in relation to sustainability reporting and internal assurance should be covered by existing responsibilities in the Governance Statement. External auditors will report by exception where the information contained in the annual report and accounts about sustainability reporting, is inconsistent with the information they have obtained as part of their audit of the financial statements.

Financial reporting considerations

IFRS guidance on financial reporting for the effects of climate change

1.59 This guidance focusses on sustainability reporting and does not consider the financial reporting implications of climate change.

Prepares of financial reports are expected to assess the financial impact of climate change on their accounts. Whilst International Financial Reporting Standards (IFRS) do not explicitly address climate change, the standards provide a framework for incorporating the risks of climate change into financial reporting.

1.60 The IFRS Foundation has offered a view and their interpretation on climate-related disclosure for financial reporting, publishing:

- an article, published November 2019 – IFRS Standards support a principle-based approach to disclosing financial risks across different themes. Consequently, climate change (and other emerging risks) are addressed by existing requirements;
- educational material, published November 2020 - highlighting how existing requirements in IFRS Standards require organisations to consider climate-related matters when their effect is material to the financial statements.

Chapter 2

Greenhouse gas emissions: minimum requirements

2.1 The Climate Change Act 2008 (2050 Target Amendment) Order 2019 which increased the UK's commitment to a 100% reduction in emissions by 2050. To meet this commitment, the UK government must drastically reduce the UK's GHG emissions. This chapter covers the measurement and reporting of financial and non-financial information with respect to GHG emissions and related metrics.

Purpose

2.2 The purpose of this chapter is to provide detailed advice on accounting for GHG emissions for publication in public sector annual reports. This is commonly referred to as carbon accounting or carbon foot printing. Further voluntary reporting guidance in areas that go beyond the minimum requirements can be found in Chapter 6.

2.3 Accounting for emissions involves the collection of baseline information, such as fuel use, mileage, electricity/gas consumption and use of raw materials, which can then be converted into Carbon Dioxide Equivalents (CO₂e) using conversion and emission factors. Much of the baseline information is already available on commercial invoices and other business documentation.

2.4 All GHG emissions can be accounted for as they occur (i.e., use of energy in processes, manufacturing or travel) or on the basis that they have already been incurred (i.e., embodied carbon in raw materials or assets used). This concept is similar to financial accounting in terms of current and capital expenditure. Government guidance on Guidance on SECR within the ERG advises on methods to collect and calculate information on emissions.

2.5 The standard metric to be used to report GHG emissions in the public sector is the CO₂e in tonnes. Use of this metric allows for the

capture of information related to the seven greenhouse gasses covered by the Kyoto Protocol⁸ (CO₂, SF₆, CH₄, N₂O, HFCs, PFCs and NF₃⁹).

TCFD recommendations

2.6 Central government bodies that are in scope of TCFD-aligned disclosure (or choose to report voluntarily), may choose to report on emissions in a different section of their annual report – as detailed in the [TCFD-aligned disclosure application guidance](#). Such central government bodies should avoid duplicative information by including appropriate cross references.

Minimum reporting requirements

2.7 For 2021-25 GGC the headline commitment 'Mitigating climate change: working towards Net Zero by 2050' is included in Box 2.A (below), alongside the associated targets. The reporting requirements include reporting on international air-travel (para. 2.32), Ultra-Low Emission Vehicles (ULEVs)/Zero Emission Vehicles (ZEVs) and updated travel policies (para. 2.47 to 2.48).

Box 2.A Mitigating climate change: working towards Net Zero by 2050

Headline target: Reduce the overall greenhouse gas emissions from a 2017-18 baseline and also reduce direct greenhouse gas emissions from the estate and operations from a 2017-18 baseline (set by the Department for Energy Security and Net Zero (DESNZ)¹⁰ in agreement with individual departments).

Sub-targets:

Meet the Government Fleet Commitment for 25% of the Government car fleet to be ULEV by 31 December 2022, and 100% of the Government car and van fleet to be fully zero emission at the tailpipe by 31 December 2027.

Reduce the emissions from domestic business flights by at least 30% from a 2017-18 baseline and report the distance travelled by

⁸ The Kyoto Protocol was adopted in 1997 and entered into force in 2005. It operationalised the United Nations Framework Convention on Climate Change (UNFCCC) by committing state parties to limit and reduce greenhouse gas emissions. Further details are included in [Annex A](#).

⁹ In 2022, the BEIS Secretary of State amended the Climate Change Act to include NF₃ in the GHG definition. Under the new legal requirement, entities must report on NF₃ emissions where they are significant. Previous versions of this guidance had used 'should' as the direction (rather than 'must')

¹⁰ BEIS existed until 2023 when it was split to form the Department for Business and Trade (DBT), the Department for Energy Security and Net Zero (DESNZ) and the Department for Science, Innovation and Technology (DSIT). DESNZ has the responsibility for net zero strategy, including public sector emissions policy. Where appropriate in this guidance, former references to BEIS have been replaced with references to DESNZ.

international business flights, with a view to better understanding and reducing related emissions where possible.

Departments that already have policies in place to compensate for emissions are encouraged to report on their implementation.

Update organisational travel policies so that they require lower carbon options to be considered first as an alternative to each planned flight.

2.8 Where actual performance is not immediately clear from the required reported figures - entities must provide annual report users an assessment of their performance in achieving the GGCs sub-target (e.g., ultra-low and zero emission vehicles usage). For 'Mitigating climate change: working towards Net Zero by 2050', the entity must provide an overall evaluation of progress in meeting the headline target and identify any sub-targets unlikely to be met or already missed.

Requirements – financial information

2.9 Organisations must report on gross expenditure directly attributable to energy consumption and any expenditure on accredited offset purchases and total expenditure on official business travel as a minimum. Any financial information reported must be associated with and akin to the reported carbon emissions.

2.10 Best practice reporting would also include a breakdown of expenditure between different types of travel and details of other expenditure directly related to emissions reduction projects or low emissions solutions.

Requirements – non-financial information

2.11 The minimum reporting requirements for emissions and energy consumption for sustainability reporting in ARAs are outlined in [Chapter 1](#). Where possible, the overall figure should be supported with a segmental breakdown of where the emissions occur in relation to the organisational activity with which they are associated.

2.12 To ensure transparency in line with government reporting standards, public sector organisations must account for and report on emissions resulting from electricity consumption through the use of the [DESNZ grid average conversion factors](#).

2.13 It is recognised that some organisations may wish to report reduced emissions due to, for example, the use of renewable tariffs and carbon offsets. These may be shown as reductions to bring the reported gross emissions amount to a net figure - but any reduction cannot be included in the required gross emissions figure. All figures must be prepared in accordance with the carbon accounting standards and the more detailed supporting cross-public sector policies as detailed within this document. More detailed organisation-specific accounting policies

must be clearly documented and published on the organisation's website.

2.14 Public sector organisations may have additional requirements introduced by the guidance on SECR within the ERG, which applies to all large businesses and LLPs and may therefore apply to some entities in public sector ownership.

Energy

2.15 Energy usage accounting is closely related to that of carbon emissions, as the former drives much of the latter. For this purpose, energy consumption and expenditure are also to be reported alongside GHG emissions. As public sector organisations are required to report on both areas, it is both more efficient for those preparing reports, and more useful to those reading them, for the two areas to be reported together, using a consistent accounting approach.

2.16 When considering energy efficiency, it is also important to take account of the size of the organisation so FTE and floor space must be included in order to give the figures context - prorated over the period where necessary.

2.17 Carbon accounts are produced on a gross basis. All inputs into gross emissions that pertain to energy use must be converted to kilowatt-hours for the purpose of energy usage accounting.

2.18 Unlike carbon accounting, renewable energy must not be netted off, as it still constitutes use of energy. Likewise, any energy produced on site must not be netted off. Instead, these two forms of energy must be stated separately alongside non-renewable energy with a total amount of energy use given. Definitions of these two forms of energy must follow guidance agreed for carbon accounting.

2.19 Energy accounting must follow agreed public sector standards used in carbon accounting for both boundaries of inclusion and, for best practice, the treatment of embodied energy.

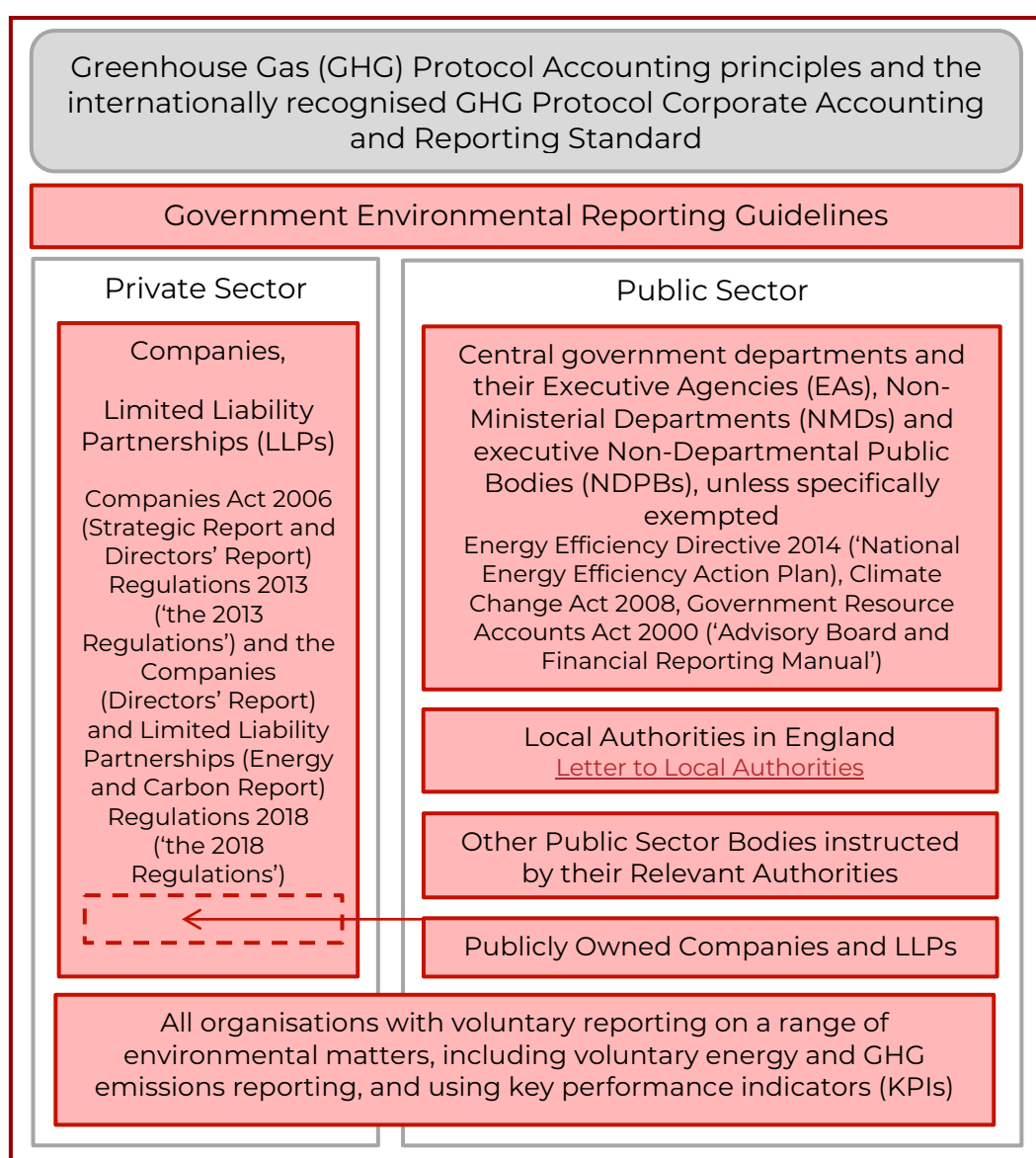
Emissions accounting standards and guidance

2.20 This guidance has been developed to be consistent with the following standards, with more detailed definition being provided later in this guidance:

- **the GHG Protocol Corporate Standard** - The World's Resources Institute and the World Business Council for Sustainable Development developed this protocol. It lays down accounting principles, which are generally akin to financial Generally Accepted Accounting Principles (GAAP) and this framework is used by the International Standards Organisation (ISO). However, some principles do offer choice, which needs to be refined to ensure consistency for public sector use. Policies in support of this framework are detailed further in this guidance.

- Guidance on calculating and estimating emissions** – The government has produced guidance for organisations to measure and report their GHG emissions. Where the government is unable to provide an appropriate conversion or no translation factor is available from the government range, organisations may make use of other emission factors available, for example, from accredited university or international research. The government guidance provides details of alternative sources of emissions factors. In such circumstances a note must be made in the report, on the organisation’s website or similar, detailing the departure from the government factors.

Figure 1 GHG emissions reporting across public and private sector



2.21 In line with government guidance, organisational GHG emissions information must not be weather corrected.

The accounting boundary for carbon

2.22 The departmental sustainability reporting accounting boundary is detailed in 1.25 to 1.29. In most cases, the department's sustainability reporting accounting boundary will be the same as the financial reporting boundary.

2.23 In some cases, the department may need to apply their own judgement to set the sustainability reporting accounting boundary and should follow the protocol. The GHG Protocol suggests two distinct approaches to setting accounting boundaries:

- **equity share approach** - Where accounting for emissions is undertaken according to the share in the company in terms of economic interest
- **control approach** - Where an organisation accounts for 100% of emissions from operations over which it has control. Control is defined in either financial or operational terms

2.24 The selected approach must be applied consistently throughout the organisation with adequate disclosure to annual report users, as detailed in 1.30 to 1.32. This does not preclude the specific simplifications and allowances to vary reporting which are granted in line with the [GGCs reporting requirements](#).

Emissions scopes for public sector reporting

2.25 The GHG Protocol introduces three scopes, as follows:

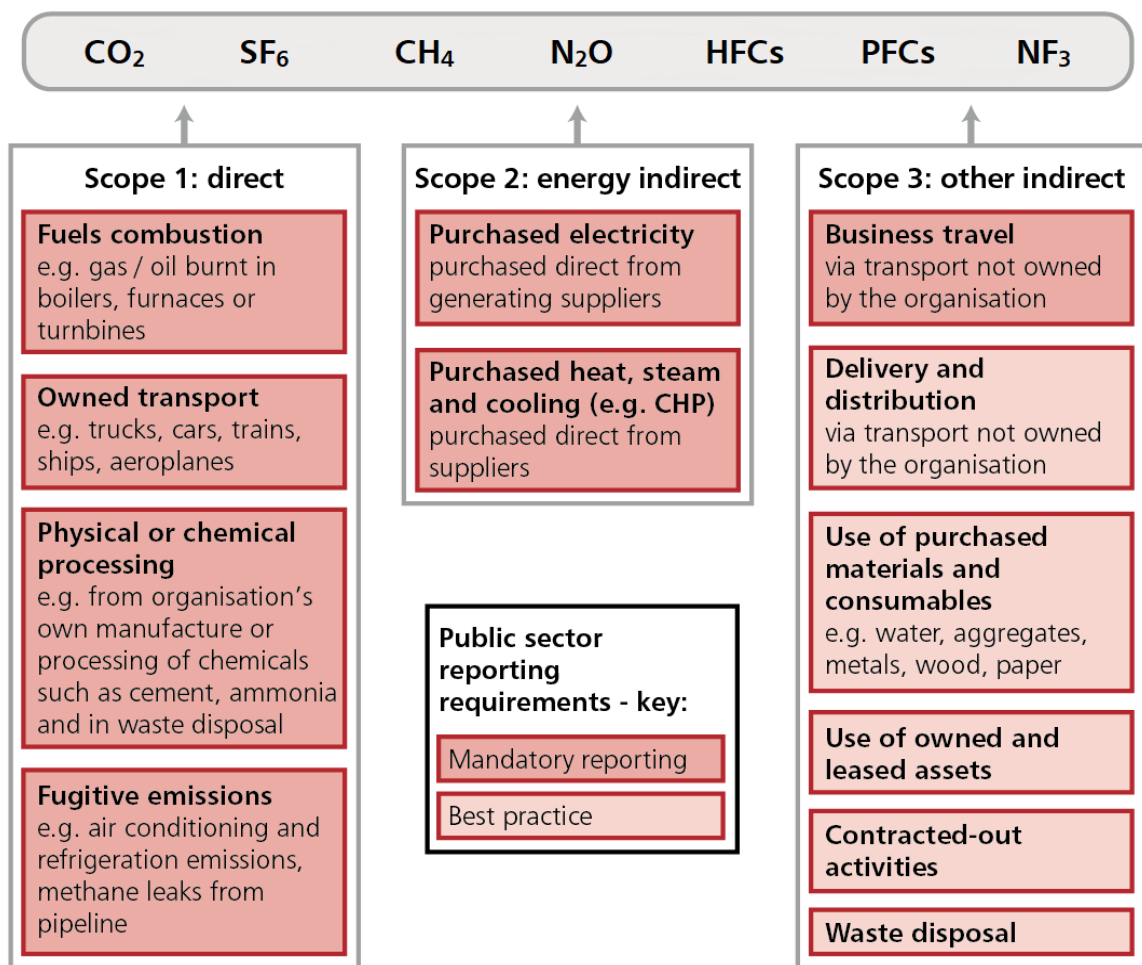
- **Scope 1: Direct GHG emissions** – These occur from sources owned or controlled by the organisation. Examples include emissions as a result of combustion in boilers owned or controlled by the organisation and emissions from organisation-owned fleet vehicles
- **Scope 2: Energy indirect emissions** – As a result of electricity consumed which is supplied by another party, for example, electricity supply in buildings or outstations. Government has advised that this should also include other purchased indirect emission sources such as heat, steam and cooling
- **Scope 3: Other indirect GHG emissions** – All other emissions which occur as a consequence of activity, but which are not owned or controlled by the accounting entity. This includes, for example, emissions:
 - as a result of staff travel by means not owned or controlled by the organisation (e.g., public transport or commercial airlines). It should be noted that this includes the requirement to include international air and rail travel in line with GGC;
 - resulting from work done on the organisation's behalf by its supply chain;

- o embodied in assets (i.e., as a result of raw materials extraction, manufacturing and transportation);
- o the emissions associated with the use of an organisation's products and services.

2.26 Neither the GGCs, nor SECR legislation, reference the GHG Protocol emissions scopes. Consequently, where disclosures reference to the GHG Protocol emission scopes, reporting entities are encouraged to explain the scopes and state which emissions categories are included.

2.27 The minimum requirement for public sector emissions accounting is full coverage of Scope 1, Scope 2 and emissions resulting from staff travel on official business under Scope 3. The three scopes and their public sector reporting requirements are depicted in Figure 2 (below).

Figure 2. Three scopes of GHG emissions



Consolidation of emissions information

2.28 The GHG Protocol provides advice on the issue of double counting, suggesting that, providing Scope 1 and 2 emissions are

distinguishable it will be easy to prevent double counting. Organisations must, therefore, ensure that they are able to separately distinguish between the three scopes for consolidation purposes.

Accounting for Scope 1 (direct) emissions

2.29 Scope 1 emissions arise from organisation-owned and operated vehicles, plant and machinery such as fleet vehicles, air conditioning, boilers and generators. Emissions can be calculated using conversion factors in relation to fuel consumption and combustion, and fugitive emissions from air-conditioning units.

Accounting for Scope 2 (energy indirect) emissions

2.30 Scope 2 emissions arise from the consumption of purchased electricity, heat, steam and cooling. Emissions can be calculated using conversion factors in relation to electricity consumption.

Accounting for Scope 3 (official business travel) emissions

2.31 These are often recognised as the easiest emissions in Scope 3 to monitor and control. Whilst for some organisations, they may be relatively small in relation to the overall carbon footprint, they have a significant role to play in changing the culture of an organisation in terms of carbon management. It is for this reason that they have been included as part of the minimum requirements for reporting.

2.32 Central government bodies must ensure Scope 3 GHG emissions are appropriately categorised. Under the GGCs, GHG emissions targets for Scope 3 do not encompass the majority of categories – they only cover ‘official business travel’. Consequently, preparers must separate the GHG emissions categories included in the GGCs target for ‘official business travel’, from other Scope 3 emissions where reported voluntarily. Similarly, GHG emissions reporting categories must be appropriately labelled (e.g., GGC’s ‘Scope 3 – official business travel’ should be labelled as such – not simply as ‘Scope 3’).

2.33 Offering annual report users detailed information to assess actual performance, including separating GHG emissions into multiple categories, supports more effective reporting. Organisations should decide how best to categorise their methods of official transport to ensure ease of calculation, through availability of Government GHG conversion factors, and to enable performance management of this area in the future. For clarity, reporting bodies must separate metrics that contribute to GGCs targets from those that do not. A suggested segmental analysis for data collection is as follows:

Scope 3 – official business travel – domestic only (aligning with GGCs target)

- domestic air travel – total related emissions, applying the in-year carbon conversion factors to the total distance for domestic flights – refer to Air travel.

- rail/underground/tram
 - bus/coach
 - hire car/taxi
 - private vehicle - owned by staff

Scope 3 – official business travel – international (categorised as other travel under GGCs framework and not included in the target)

- international rail travel/Eurostar
- international air travel - with a further potential break-down between short and medium/long haul

2.34 Where entities make use of travel cards, season tickets or other travel arrangements such as Oyster cards, they may decide to equate financial expenditure associated with the card with travel emissions for the purposes of determining carbon emissions (subject to materiality). Use of this type of estimation method is entirely acceptable providing that materiality is taken into account and the methodology is documented. However, staff commuting to their regular place of work is not included in the GGCs GHG emission target, so if reported, should be separately categorised.

Accounting for shared, offset, renewable or sequestered carbon

Accounting for emissions and energy use in shared buildings

2.35 Estimates must be made on energy consumption where exact data is not available. This must be highlighted by way of a note along with actions to ensure future data capture if possible.

Accounting for renewable energy (gross vs. net emissions)

2.36 Government policy is that organisations must account for electricity from green energy tariffs using the rolling grid average emission factor - average rate of carbon emissions associated with electricity transmitted on the national grid - unless their supplier can prove the carbon benefits are additional.

2.37 Organisations can separately account for a reduction in their net emissions figure from a green electricity tariff, which meets the government's 'good quality' criteria. Details of the 'good quality' criteria, and accounting for green energy tariffs, can be found in Annex G of [the Environmental Reporting Guidelines](#). The emission reduction reported must be based on the additional carbon saving associated with the tariff. Electricity suppliers should be able to provide details of this.

Accounting for sequestration on the public sector estate

2.38 Carbon sequestration is the process by which carbon dioxide (CO₂) is removed from the atmosphere and stored. A CO₂ sink is a carbon dioxide reservoir that is increasing in size and is the opposite of a carbon dioxide source. The Kyoto Protocol allows the use of sinks as a form of carbon offset (i.e. reduces net emissions). The main natural sinks are the oceans' biological pump and plants and other organisms that use photosynthesis to remove carbon from the atmosphere by incorporating it into biomass and releasing oxygen into the atmosphere. Artificial sinks are created through Carbon Capture and Storage (CCS) instead of releasing it into the atmosphere.

2.39 Whilst the public sector estate has a significant impact in terms of sequestration which, in turn, will have a large impact in terms of reducing emissions it is not proposed that organisations should account for sequestration on their individual estates at this time as this would involve extremely complex accounting with little benefits in terms of driving improved sustainability performance.

Accounting for offsets

2.40 Carbon offsetting involves calculating emissions and then purchasing 'credits' from emissions reduction projects. The projects have prevented or removed an equivalent amount of carbon dioxide elsewhere.

2.41 The GGC framework does not allow the use of carbon offsets to reduce associated emissions metrics to meet corresponding GGC targets. Public sector bodies may set their own emissions reduction targets (outside of the GGC framework) and record associated performance in their annual report - in line with the requirements of this section (i.e., ensuring gross figures are included).

2.42 The following offsets only can be accounted for as a reduction to overall carbon accounts – and each must be separately disclosed where a separate carbon account is published. Each unit represents 1 tonne of CO₂ or its equivalent;

- Certified Emissions Reductions (CER) – A credit from the Kyoto Clean Development Mechanism (CDM) projects issued by the CDM Executive Board. CDM enables Annex 1 countries to invest in project-based emission reduction activities in developing countries.
- Emissions Reduction Unit (ERU) – Credits from the Kyoto Joint Implementation (JI) projects issued by the host country by converting either Assigned Amount Units (AAU) or RMUs. JI allows certain countries to jointly implement emissions reduction projects with the 16 investing country being able to 'credit' the reductions against their own reduction obligations.
- Removals unit (RMU) – A Kyoto unit representing a net removal of greenhouse gases through land use, land use change or forestry

activities issue by the Kyoto Annex 1 country (refer to Kyoto Protocol for further details).

Business travel

Air travel

2.43 Central government bodies must report on the total distance travelled (in kilometres) on both domestic and international business flights. Central government bodies are required for:

- Domestic air travel – to report the total distance travelled. This is in addition to the total related emissions using the in-year carbon conversion factors – refer to para. 2.33.
- International air travel – to report the total distance travelled by international business flight, disaggregated by category (short haul, long haul) and class (economy, premium economy, business and first).

2.44 Central government bodies are also encouraged to report on the total number of domestic business flights, to further understanding of journey types.

2.45 Distances should be measured between airports including the distance to any stopovers ('as the crow flies'). Online flight distance calculators may be used where appropriate.

2.46 Where corresponding information was reported in the previous year, the comparative figures must be included. Where data is available, the entity should also include 2017-18 baselines.

2.47 Where the entity has nothing to report for air-travel by staff during the period, they should state as such, providing annual report users the information to discern between omission and nil-reporting.

2.48 Entities that have or are introducing policies to compensate for emissions from air travel are encouraged to report on their implementation and impact. This includes the GGCs sub-target for organisations to update their travel policies so that they require lower carbon options to be considered first as an alternative to each planned flight.

Use of ultra-low and zero emission vehicles

2.49 Guidance for fleet managers on which public bodies are in scope and what data they should report was sent to fleet managers in 2019, which is regularly supported by Office of Zero Emission (OZEV) newsletters. The Energy Saving Trust is available to provide entities with advice on the best fleet and infrastructure options for meeting the commitment. Crown Commercial Services can help departments procure vehicles and energy infrastructure using their frameworks.

2.50 The government has committed that 25% of central government cars should be ultra-low emission (<50g CO₂/km) by December 2022

followed by 100% of cars and vans to be zero emission at the tailpipe by December 2027. Individual entities will be responsible for delivering and funding this commitment. Entities must report their progress towards meeting this target through the GGCs annual reporting system. Public sector bodies may choose to include similar reporting in their annual reports.

Chapter 3

Waste: minimum requirements

3.1 In the government's Environment Improvement Plan (EIP) 2023¹¹ the government has pledged to leave the environment in a better condition for the next generation. To meet the commitment, the UK must use resources efficiently and reduce the amount of waste it creates. A more circular economy will keep resources in use as long as possible and extract the maximum value from them. This chapter outlines how information should be reported on the amount of waste organisations generate in carrying out their activities, the associated costs and their strategy for resource efficiency.

Purpose

3.2 The reporting requirements for absolute quantities of waste must be taken from the latest guidance issued by Defra on [GGCs reporting requirements](#) and summarised in this chapter. At present the accounting treatment for waste is absolute quantities as decommissioned or removed.

3.3 For 2021-25 GGCs, the headline commitment for 'Minimising waste and promoting resource efficiency' and associated targets are summarised in Box 3.A (below). New targets require reporting on food waste (3.9), Consumer Single Use Plastics and reuse schemes (3.4).

Box 3.A Minimising waste and promoting resource efficiency

Headline target: Reduce the overall amount of waste generated by 15% from the 2017-18 baseline

Sub-targets:

- Reduce the amount of waste going to landfill to less than 5% of overall waste.
- Increase the proportion of waste which is recycled to at least 70% of overall waste.
- Remove CSUP from the central government office estate.

¹¹ www.gov.uk/government/publications/environmental-improvement-plan

- Measure and report on food waste by 2022 (for estates with over 50FTE or over 500m² of floor area offering a food service).
- Report on the introduction and implementation of reuse schemes.
- Reduce government's paper use by at least 50% from the 2017-18 baseline.

3.4 Where it is not immediately clear from the mandatory reported data, entities must provide annual report user with an assessment of their performance at achieving the GGCs sub-target (e.g., CSUP usage and policy, reuse schemes, etc.). The entity must provide an evaluation of its overall progress to meeting the headline target and identify any sub-targets that have or are likely to be missed.

Minimum reporting requirements

Contributing activities

3.5 Waste is generated from a range of sources, and is currently reported by central government entities, agencies and NDPBs under the requirements of the GGC. This reporting covers all buildings owned or leased by central government entities and their executive agencies.

3.6 The nature of the organisation in question will clearly affect the range and volumes from the respective sources of waste. Where third party suppliers undertake the specific waste collection and disposal activities on behalf of the organisation, e.g. office waste collections, then obtaining information from these suppliers will be a critical element of this work. It would be advisable to engage with suppliers at the earliest opportunity to discuss this.

3.7 In line with the stated criteria for inclusion, organisations are encouraged to consider financial control (e.g. procurement) over other organisations when measuring their waste volumes. This will mean including information on waste generated by contractors or third parties working on behalf of the organisation.

3.8 Guidance on measuring and collecting information on waste can be found in the Defra's [Environmental key performance indicators for business](#) which provides further details on reporting on waste across categories.

3.9 As a minimum, reporting should include absolute values for the total volumes of waste produced from buildings (office and non-office) in the categories below over the reporting period, and the financial costs associated with this. If the information is not available then it should be clearly stated, and reasons given, as well as an action plan to ensure that the entity can report this data in the future.

- total tonnes of waste arising
- total tonnes of waste recycled

- total tonnes of ICT waste recycled, reused and recovered (externally)
- total tonnes of waste composted/food waste
- total tonnes of waste incinerated with energy recovery
- total tonnes of waste incinerated without energy recovery
- total tonnes of waste to landfill

3.10 These categories are all required under the GGCs. Comparison for the previous three to five years must be included where available - refer to [1.39](#).

3.11 Given that physical quantities for these waste streams will need to be reported, the information for this should be available. Financial data for the specific waste streams maybe harder to capture. However, every effort must be made to include financial data for each category, along with a total cost for waste. It is appreciated that existing commitments exclude the impacts from third parties or contractors working on behalf of the organisation, and operational activities. Organisations are encouraged to include data from these sources in their waste reporting and discuss any steps they are taking towards achieving this in the narrative of the report.

Financial information

3.12 Where possible, financial information must be analysed into the same categories as the physical quantities and show the cost of waste removal and disposal. This is important for demonstrating the financial materiality of the individual waste streams. Information will need to be extracted from existing financial systems and it is likely that this will present a significant challenge, largely because the majority of financial systems are not set up to deliver this level of granularity in terms of cost data. If it is not initially possible to extract individual cost data, then a total waste disposal cost should be presented, leaving the individual sections blank. Progress towards achieving full granularity on the cost data must be discussed in the narrative section. This may present a significant challenge as far as third-party construction work is concerned. Discussions with the third-party organisations should facilitate this, and in the long-term inclusion of this information is important.

3.13 Where organisations derive income from particular waste streams, this must be offset against any costs to show a net figure.

Other information

Hazardous waste

3.14 Where possible, organisations must report costs and quantities for hazardous waste disposal separately. Physical data for hazardous waste should be readily available. All quantitative figures for waste must be given in metric tonnes per annum, based on your financial reporting cycle.

Paper use

3.15 Paper use is included in the GGCs and central government will be collecting data on paper usage with an aim to cut paper use year on year. It is linked to other procurement led initiatives, including efforts for a closed loop recycled paper contract. Organisations are required to measure the volume of paper they purchase in A4 reams equivalents, so must report information pertaining to this within their annual report and accounts. The minimum requirement is stating the percentage reduction on baseline; however, central government bodies can provide further detail where deemed useful to annual report users.

Useful information

3.16 The following reporting standards exist:

- Legal requirements for hazardous waste reporting
- Global Reporting Initiative (GRI) – guidance provides optional standards for the reporting of the use of several finite natural resources. The metrics and methodologies of these indicators can be used for finite resources, where no guidance is provided by the Defra Environmental Key Performance Indicators. Standard G4-EN22 or GRI 306 covers effluents and waste reporting.

3.17 If any estimation methods are used, then they must be reported. Use of these and the current data reported to central government for the GGCs annual report will promote consistency.

Consumer Single Use Plastic usage

3.18 CSUPs break down into microplastics which can have devastating consequences for wildlife and the wider natural world and risks being transferred up the food chain. One way to reduce the amount of plastic in circulation is to reduce demand for CSUPs. Consequently, in the government's EIP, launched in January 2023, the Government committed to remove all single-use plastic from central government estate offices.

3.19 Central government bodies must evaluate progress to meeting the government commitment to remove all CSUP from the central government estate.

Re-use schemes

3.20 Central government bodies must report on the introduction and implementation of reuse schemes across their estate.

Chapter 4

Finite resource consumption: minimum requirements

4.1 The government has policy objectives to reduce the use of finite, natural resources. It is important that public sector organisations lead the way in monitoring, managing and reporting the use of finite resources. This chapter sets out guidance for reporting the use of finite resources by public sector organisations. It is split into sections for water and other finite resources.

Purpose

4.2 Within each section, further background is provided to the minimum requirements set out in [Chapter 1](#). In addition, each section also provides guidance for best practice reporting that goes beyond the minimum requirements.

4.3 Whilst an organisation may not have specific financial targets, financial information must be presented over three to five years where available - refer to 1.41. Additional information must be provided in the narrative text, this becomes particularly important if you are changing reporting methods or approaches. As described previously, if it is not possible initially to publish full granularity on the cost data then this must be highlighted in the narrative section.

4.4 For 2021-25 GGCs, the headline commitment for 'Reducing our water alongside the associated targets are detailed in Box 4.A (below). New targets require entities to provide a qualitative assessment of their water use policy and performance (4.5).

Box 4.A Reducing finite resource consumption and water use

Headline target: Reduce water consumption by at least 8% from the 2017-18 baseline

Sub-targets:

- Ensure all water consumption is measured.

- Provide a qualitative assessment to show what is being done to encourage the efficient use of water.

4.5 For 'Reducing our water use', the reporting entity must provide an overall evaluation on progress at meeting the headline target and identify any sub-targets unlikely to be met or already missed. The reporting entity must include a qualitative assessment of their water policy and overall performance.

Water - overview

4.6 Organisations must place the use of water in context, considering the level of use and regulatory requirements. The GGCs establish best practice benchmarks for office water use. For non-office use organisations are required to establish their own reduction targets.

4.7 The total impact of an organisation's water usage is termed its 'water footprint' and is divided into direct and indirect use. As a minimum, reporting must cover direct water use as measured in cubic metres: the measurable consumption from water providers, abstraction and collection.

4.8 Water sources can be classified in a similar way to carbon emissions, as follows:

- **Scope 1: Water owned or controlled by your organisation** - includes water reserves in lakes, reservoirs and boreholes
- **Scope 2: Purchased water, steam or ice** - includes mains water supply as well as other deliveries of water for the purpose of heating (e.g. CHP), water coolers and ice
- **Scope 3: Other indirect water** - includes embodied water emissions in products and services (upstream) as well as the products, services and policies that contribute to water use (downstream)

4.9 The minimum source reporting requirements for organisations is to cover the use of water from Scope 1 and Scope 2 water sources.

Minimum requirements

Direct water use

4.10 Direct water use must be reported in cubic metres and broken down by source if possible (water from a third party supplier, abstracted water, and where data exists, collected water).

4.11 Central government organisations must ensure that KPIs and reported results conform to the common reporting requirements set out above. This includes disclosing where KPIs are changed between years, normalisation of water use and reporting expenditure on water.

4.12 The reporting of indirect or embedded water, (water that is embodied in assets) must be as a minimum, in line with the requirements in [Chapter 1](#), and include a narrative on the indirect use of water of all central government bodies.

Other natural resource consumption

4.13 Central government bodies must, at a minimum, consider whether there are any other finite resources whose use has a material impact. To determine whether the use of a finite resource is material, organisations should first consider the role areas of finite resources play in the delivery of their strategic policy objectives.

4.14 Organisations must then consider these priorities in the context of their operational activities and their wider requirements as central government bodies. It may be that the use of particular resources is at such a low level that reporting is not judged necessary. On the other hand, regulatory requirements from government may dictate that reporting of particular resources is necessary regardless of their level. Entities' should use the Government's Environmental Key Reporting Guideline Indicators to assist in identifying relevant KPIs.

4.15 If an organisation determines it should report the use of another finite resource, the same format and content must be provided as other areas, including targets where available, normalisation by total expenditure, expenditure on the reported resource, industry benchmarks where available and a commentary on indirect use.

4.16 In addition, central government bodies must consider including reportable environmental incidents where they are considered significant to annual report users of the annual report and accounts.

Chapter 5

Other reporting requirements

5.1 By not taking into account the whole costs of goods and services (including energy and water use) and the costs of managing wider social costs (like pollution impacts, carbon emissions and waste disposal), the public sector will not achieve value for money in a meaningful sense. Furthermore, as the public sector forms a substantial portion of the economy and manages a significant level of natural capital, its actions can have a major impact on the UK's response to climate change and the environment overall.

Purpose

5.2 This chapter encompasses the remaining headline commitments for GGCs 2021-25 which government entities are required to report against:

- Procuring sustainable products and services
- Nature recovery
- Adapting to Climate Change
- Reducing environmental impacts from ICT and Digital

5.3 For qualitative reporting, entities should refrain from simply providing sustainability statements and must instead present annual report users with a fair and balanced view of their past performance, current position, and future outlook.

5.4 Entities should provide clear explanations which help annual report users to understand and compare major commitments such as 'net zero emissions' targets or 'Paris aligned' strategies, including which activities and emissions are included in the scope of these commitments. It should be clear whether these are aspirational, or currently pursued and factored into budgets and business plans used when preparing the financial statements.

Procuring sustainable products and services

5.5 The Public Services (Social Value) Act 2012 calls for all public sector commissioning to consider economic, social and environmental well-being in connection with public services contracts. Central government bodies must consider sustainability in regard to procurement policy and procedures. Please refer to Box 5.A.

Box 5.A Procuring sustainable products and services

Headline commitment: Continue to buy more sustainable and efficient products and services with the aim of achieving the best long-term, overall value for money for society.

5.6 Under GGCs, central government bodies must report on the systems they have in place and the action taken to buy sustainably, including to:

- embed compliance with the Government Buying Standards in departmental and centralised procurement contracts, within the context of government's overarching priorities of value for money and streamlining procurement processes.
- understand and reduce supply chain impacts and risks.

5.7 All government departments and related organisations must meet the minimum mandatory Government Buying Standards (GBS), as well as other specific procurement policies (e.g the Timber Procurement Policy). Sustainability considerations should be incorporated into procurement decisions, including social value procurement guidance and training.

5.8 All central government bodies must commit to report on and understand the sustainability impacts associated with their purchases; reduce those impacts and realise the opportunities to improve. This reporting should set out achievements and cover entities use of sustainable procurement tools (e.g. GBS, the Prioritisation Tool, the Flexible Framework, etc.) or equivalent to identify, prioritise, address, measure and monitor progress on sustainable procurement.

Nature recovery

5.9 A natural capital approach to policy and decision making considers the value of the natural environment for people and the economy.

5.10 Central government bodies with ownership or control over significant natural capital must consider and report on their environmental impact - refer to Box 5.B.

Box 5.B Nature recovery

Headline commitment: Making space for thriving plants and wildlife. Departments and partner organisations with the greatest potential to improve biodiversity should develop and deliver Nature Recovery Plans (NRPs) for their land, estates, development, and operations.

5.11 All other government departments and partner organisations should consider what they can do to support the commitment to

improve nature and develop/deliver NRPs for their organisations. Where central government bodies do not have ownership or control over significant natural capital, they can omit the remainder of this section and do not need to report on natural capital approach.

5.12 Central government bodies that hold significant natural capital or landholdings must:

- summarise their NRPs for their land, estates, operations and resources, develop and delivered as part of the GGCs requirements.
- detail any Natural Capital Approach and the organisation's performance against it. Alternatively, they may provide an explanation to annual report users of why a natural capital approach was not deemed necessary. Defra has issued guidance on [Enabling a Natural Capital Approach](#).

Developing a Nature Recovery Plan

5.13 By developing and delivering a NRP, a department or partner organisation will show that it has:

- Identified and taken opportunities to integrate biodiversity considerations into all relevant service areas and functions, and ensured that biodiversity is protected and enhanced in line with current statutory obligations at a minimum;
- Recognised the potential of, and taken action to deploy nature-based solutions¹², including to mitigate their own and the country's carbon emissions;
- Raised awareness of staff and managers about biodiversity issues;
- Demonstrated a commitment and contribution to reporting against their Nature Recovery Plans as part of the GGCs, and, where appropriate;
- Demonstrated progress against key biodiversity indicators and targets.

5.14 All NRPs should include a specified commitment, where relevant, to:

1. Protecting and enhancing (ideally expressed through increased hectareage or percentage of land holdings):
 - tree planting and woodland cover
 - total peatland owned and leased

¹² Defined by the International Union for the Conservation of Nature as 'actions to protect, sustainably manage, and improve and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits'.

- pollinator-friendly habitat
 - land as a contribution to the Nature Recovery Network and in addition, where possible, as a contribution to government's commitment to protect 30% of land by 2030¹³
 - all protected sites under their management
2. Biodiversity considerations in development projects or programmes

5.15 All NRPs will, at a minimum, seek to align with requirements set out in the Environment Act 2021¹⁴.

Adapting to Climate Change

5.16 Climate adaptation protects people and places by making them less vulnerable to the impacts of climate change. Reporting on climate change adaptation provides assurance that action has been taken to ensure that those policies with long term implications are robust in the face of changing weather, extreme events and sea level rises from climate change.

5.17 In their annual report and accounts, departments and partner organisations must provide a summary of how they are developing and implementing a Climate Change Adaptation Strategy for their department. Where appropriate, preparers may provide a high-level statement and describe specific actions they are undertaking.

5.18 Central government departments and their partners must develop a strategy which is appropriate to the size and diversity of their estates and operations and their existing approach to adaptation. Related commitments are shown in Box 5.C. Where relevant, organisations may wish to note actions and policy set out in the current National Adaptation Programme.

Box 5.C Adapting to Climate Change

Headline commitment: Develop an organisational Climate Change Adaptation Strategy across estates and operations. This headline commitment is broken down into two parts:

- Departments should conduct a Climate Change Risk Assessment across their estates and operations to better understand risk and to target areas that need greater resilience.
- Departments should develop a Climate Change Adaptation Action Plan, including existing or planned actions in response to the risks identified.

¹³ In September 2020, the government launched [Commitment 30x30](#)

¹⁴ Refer to Article 104 of the [Environment Act 2021](#) on Nature Recovery Strategy

Sub-commitments:

Accountability - Departments should establish clear lines of accountability for climate adaptation in estates and operations and engage in wider governance and risk structures when appropriate.

Transparent Reporting - In their annual report and accounts, departments must provide a summary of how they are developing and implementing a Climate Change Adaptation Strategy for their organisation. Departments may wish to give a high-level statement and describe specific actions they are undertaking where appropriate.

5.19 To inform adaptation planning and decision-making, entities are invited to make use of the [Climate Change Risk Assessment](#) published in 2017¹⁵, and the UK Climate Projections (UKCP18) published in November 2018¹⁶; and any follow up actions to last year's report and highlight key policies affected by impacts from climate change and how these have been addressed.

5.20 The Adaption Reporting Power¹⁷ enables the UK Government to request reports from critical infrastructure providers on the current and predicted effects of climate change on their organisation; their proposals for adapting to climate change; and progress made towards their implementation.

Reducing environmental impacts from ICT and Digital

5.21 ICT and digital services are increasingly held up as a key component of any solution to the global climate crisis and associated targets. ICT is embedded throughout government estates and ways of working. The adoption of ICT and associated services can and should help meet targets such as those defined in the GGCs (see box 5.D), Outcome Delivery Plans¹⁸ (ODPs) and the EIP. Reporting should define how entities procure and adopt ICT, being careful to include measures and tangible outcomes.

¹⁵ The UK Government is required under the 2008 Climate Change Act to publish a UK wide Climate Change Risk Assessment (CCRA) every five years, setting out priority risk areas requiring further action in the UK over the next five year period.

¹⁶ [UK Climate Projections 2018 \(UKCP18\)](#) provides an update to UK national climate projections including global (60km) and regional scenarios (12km).

¹⁷ www.theccc.org.uk/publication/understanding-climate-risks-to-uk-infrastructure-evaluation-of-the-third-round-of-the-adaptation-reporting-power/

¹⁸ Departments (and central government bodies) should consider whether the relevant ODPs (or equivalent plan) have been formally agreed and published. Where ODPs have not been published, departments (or central government bodies) may still choose to use the related metrics and targets but must provide the relevant background to users, remaining mindful of whether information is publicly available.

Box 5.D Reducing environmental impacts from ICT and Digital

Headline commitment: Departments should report on the adoption of the [Greening Government: ICT & Digital Services Strategy](#) and associated targets and ensure they provide membership to the Sustainable Technology Advice & Reporting team, who manage and deliver the Greening Government Commitments ICT reporting.

5.22 Departments and their partner organisations must report on their annual ICT and Digital footprint, waste and best practice data. The format for reporting on this is purposefully undefined to allow innovation, but must align to the vision and targets as defined in the [Greening Government: ICT & Digital Services Strategy](#) with an overall target of zero waste to-landfill and adoption of virtual meetings showing a correlated drop in travel.

5.23 Central government bodies should also include areas related to the social pillar of sustainability, including ethical sourcing of ICT through alignment with the Responsible Business Alliance or Electronics Watch, or consider how ICT is helping to connect people and improve lives.

Policy objectives and targets

5.24 Where a central government body has a specific policy objective or target related to sustainability or climate change, either at an entity or department level, or set by central government, they should ensure that sufficient and appropriate information is communicated to annual report users. Such policy objectives and targets may relate to:

- sustainability enablers within departmental ODPs;
- policy objectives and targets set across the departmental group; and,
- other related policy objectives and targets;

5.25 Where applicable, performance that contributes to one of the [17 UN Sustainable Development Goals \(SDGs\)](#) must be flagged in the annual report and accounts.

5.26 Central government bodies must name other significant 'policies pursued' related to climate change, sustainability and the environment. The entity must also provide annual report user a short description of the policy, either directly in the annual report and accounts, or referenced externally using a link to a webpage on Gov.uk. This link must be to a specific policy page and not a general or homepage.

5.27 The entity should provide sufficient data and information to demonstrate progress in meeting policy objectives and targets. This should include: the target, baseline years, actual current and past performance - refer to 1.41. Furthermore, the reporting entity should

assess current performance and the likelihood of meeting the target or policy objective, considering both direct and indirect impacts.

5.28 Annual report users should be informed of changes to policy objectives and targets, either directly in the report, or via a link to a Gov.uk webpage. This includes changes to measurement and boundaries or significant policy changes which occur within the reporting period.

Rural proofing

5.29 Rural proofing aims to understand and take account of the impacts of government policy intervention and to ensure fair and equitable policy outcomes for rural areas. Defra's [Rural Proofing guidelines](#) can assist in identifying where rural proofing is applicable.

5.30 Central government bodies whose policies have the potential to significantly affect rural communities and business should report on how rural areas have been considered.

Sustainable construction

5.31 Reporting entities with significant construction or refurbishment projects are required to consider potential environmental impacts. Where reporting entities haven't undergone construction or refurbishment projects during the current reporting period, they can omit this section on sustainable construction.

5.32 Where significant construction or refurbishment projects have been undertaken during the reporting period, entities should:

- Explain how sustainability was embedded into the selection and contracting process for the main contracting parties;
- Compare the success of any projects to standards (e.g. Building Research Establishments Environmental Assessment Method (BREEAM) for construction and refurbishment projects);

5.33 Construction, demolition and excavation (CD&E) waste will clearly be significant for some public sector bodies. Reporting data on this will often present unique challenges, often as a result of third parties being involved in this work.

5.34 In addition to reporting financial data on the waste disposal and removal costs it would be useful to include the value of the products and materials being disposed of. This would help to demonstrate efficient use of resources.

5.35 For major construction projects (over £300k) Site Waste Management Regulations (2008) mean that necessary measures must be in place in order to supply the required information for reporting the volumes of waste from these projects.

Chapter 6

Further voluntary reporting

6.1 As organisations become more proficient in managing their own internal performance on sustainability, they should then consider how they could seek to improve sustainability in areas where they have an influence. One such area in the public sector is influencing performance through procurement; another is through policy. This chapter encompasses the further voluntary reporting available to public sector entities, demonstrating best practice and allowing entities wishing to go further, to do so.

Purpose

6.2 The scope of reporting sustainability performance within the annual report set out in this guidance is restricted to GHG Emissions, waste minimisation and management, natural resource consumption, biodiversity action planning, sustainable procurement, climate change adaptation, rural proofing and reporting environmental impacts from ICT and digital. As set out in [Chapter 1](#), it is recognised that there are many other aspects to sustainability that have not been given coverage in the minimum requirements.

Additional TCFD-aligned disclosure

6.3 Certain central government bodies are in the scope of the new TCFD-aligned disclosure requirements – refer to para. 2.9. Central government bodies should consult with the [TCFD-aligned disclosure application guidance](#) to determine whether they are required to adopt the TCFD recommendations in their annual report.

6.4 Other central government and wider public sector bodies may choose to adopt TCFD’s recommendations voluntarily – either in full or in part - as detailed in the application guidance.

6.5 While HM Treasury has chosen to publish the application guidance in phases, preparers may choose to adopt the TCFD recommendations at a faster pace, reporting against certain recommended disclosures earlier.

Extending reporting beyond the minimum requirements

6.6 Organisations more advanced in their ability to report should add on additional sections, in other reports or on their website, for example

how delivery of the body's strategy is supported by, and reliant on, actions taken to respond to economic, environmental and social factors. Through this analysis, the body may also describe how performance relating to social or other material environmental impacts is linked to financial outcomes.

6.7 Where organisations extend sustainability reporting beyond the minimum requirements, sufficient disclosure must be provided to annual report users to allow them to understand the information (e.g., separating Scope 3 GHG emissions into separate categories in line with the GHG Protocol). Explaining where and why preparers of annual reports have included voluntary disclosure may be useful for users.

Producing a detailed carbon account

6.8 Organisations more advanced with carbon accounting coverage may decide to publish a detailed account of their carbon emissions often referred to as an 'inventory'.

Accounting for non-travel Scope 3 emissions – general advice

6.9 These tend to be the most difficult areas to be able to account for as they usually relate to work done on behalf of the organisation but out of its normal organisational control. However, such emissions can be considerable in size and organisations may have a high degree of influence in respect of financial control through procurement. As a first step, organisations are suggested to liaise with suppliers concerning emissions to establish if they have their own reporting mechanisms. Over time it is expected that organisations will increasingly use Scope 3 carbon emissions as a factor in both supplier suitability and tender assessment.

Accounting for Scope 3 – supply chain emissions

6.10 The public sector has a vast supply chain and significant influence over the way it operates in terms of its emissions. This covers only those emissions that would factor under the public sector sustainability reporting accounting boundary – i.e. over which the public sector has budgetary control.

6.11 Scope 3 supply chain emissions of the entity reporting under this guidance include all emissions arising from the related activity of its suppliers, regardless of whether they would be classified and reported separately as Scope 1, 2 or 3 emissions by the supplier themselves. To collect this information an organisation will need to liaise closely with its supply chain to ascertain information.

Accounting for Scope 3 - embodied carbon emissions

6.12 All physical assets will have some measurement of CO_{2e} which have been emitted as a result of raw materials extraction, transport and/or manufacturing. Whilst embodied carbon is not mandated for reporting under the GHG Protocol, it is important that these emissions

are considered and eventually accounted for in some way by public sector organisations to:

- encourage less waste (and therefore further carbon emissions) through non-essential asset consumption
- encourage lower carbon emissions in raw material extraction and manufacture through public sector procurement
- reflect the true cost to an organisation or a project in terms of CO₂e emissions from asset consumption for carbon budgeting purposes.

6.13 Such assets can either be consumed immediately upon use or they may be used over a number of years. Under present public sector financial accounting policies, the value of the assets can be spread over their useful economic life through depreciation. However, this accounting treatment would be difficult to implement in relation to embodied carbon assets as it would involve the development of an inventory of the embodied carbon for all assets currently being utilised by an organisation – akin to developing a carbon balance sheet in financial accounting terms. Initially, organisations undertaking accounting for embodied carbon should therefore account for it upon purchase. Details of the organisations accounting policy in this respect should be maintained on the website – particularly where embodied carbon in only certain assets is being accounted for.

6.14 Publicly Available Standard (PAS) 2050 provides advice on producing a lifecycle carbon footprint for a product. This provides a detailed methodology to calculate the full lifecycle emissions of a product or service. PAS 2050 can be expensive to implement, however there are methods for apportioning emissions to products and services that can be usefully adopted here.

Indirect water use

6.15 For many public-sector organisations, indirect water use will comprise the majority of their 'water footprint', and organisations may wish to go beyond the minimum reporting requirements for the use of water set out above. These organisations should analyse and report in narrative the material indirect effects on water use caused by organisational activities and policy. Public sector organisations should consider two forms of indirect impacts on the use of water: the effects of policy on water use and the use of embedded water by an organisation.

6.16 When considering the use of embedded water, organisations should analyse both the levels of water used by suppliers and the source of water used by suppliers. A high volumetric water footprint does not necessarily mean high impacts and vice versa. Importing goods with a high water footprint from areas with high rainfall and good water management may be preferable to importing goods with a lower water footprint from areas where water is scarce. This adds an additional layer of complexity to developing appropriate tools to measure water footprints.

6.17 Organisations could report on engagement with their suppliers to reduce their consumption of virtual water. This would include steps taken to obtain data from significant suppliers on the level and source of their water use and steps taken to encourage more sustainable water use by suppliers. This includes specific reporting requirements on engagement work to assess and report supply chain impacts including water and waste. Organisations choosing to include supply chain reporting could make use of this guidance.

6.18 To provide an effective breakdown of the impact of policies on water use that is consistent with best practice in the private sector, organisations should consider the following three types of water in their disclosure of targets and performance:

- blue: water from rivers, lakes, aquifers
- grey: water polluted after agricultural, industrial and household use
- green: rainfall to soil consumed in crop growth

Embodied finite resources

6.19 Physical assets, both current and non-current, require the use of natural resources in manufacturing and distribution. This is the equivalent to GHG Protocol Scope 3 emissions in carbon accounting. Ultimately, it is important that embodied water, energy and other resources are accounted for in some way by public sector organisations to:

- encourage less waste (and therefore further use of finite resources) through non-essential asset consumption
- encourage lower resource use in asset manufacture and raw material extraction through public sector procurement
- reflect the true cost of an organisation or a project in terms of the use of finite resources

6.20 In the short term, due to difficulties in calculating the resources used in creating an asset—particularly those already acquired—and the lack of relevant accounting standards, quantified reporting of accounted embodied resources will not be required. Progress on achieving this is more advanced in the field of carbon accounting than in the areas discussed in these guidelines, with the exception of energy.

6.21 As standards are developed for sustainable reporting, for example, water and other finite resources, the FReM may adopt their use, through the sustainability reporting guidance. In this section there is currently a choice on whether to report the information. In the future, sections of voluntary reporting may become compulsory. Entities should therefore, consider this when producing current report. This will enable consistency among those organisations that report embodied resources.

6.22 The lack of accounting standards for embodied resources does not preclude reporting in this area. Sustainability reporting for the public sector allows for narrative reporting of indirect sustainability impacts to take place alongside numerical financial and non-financial information. Public sector organisations wishing to follow best practice should set concise, measurable targets designed to capture activities that will reduce the indirect use of finite resources. Annual reports should then include these targets and report on progress achieved against them.

6.23 Organisations may also be aware of particular current or non-current assets that have high levels of embedded natural resources, are widely used by the organisation and have a clearly material impact on its footprint in the consumption of a particular resource. Organisations can set targets to reduce the use of these assets even if accounting standards do not yet allow for an exact translation of their use into units of a material finite resource.

6.24 Central government bodies may have policies that affect third party use of finite resources. Those organisations following best practice could set targets over third party resource use that is impacted by their policy areas, assess these impacts and report them annually.

Other reporting - Green Financing

6.25 The UK Government Green Financing Framework, sets out how proceeds from the sale of green gilts and NS&I's retail Green Savings Bond (i.e. green financing instruments) will help fund expenditures that meet certain environmental eligibility criteria, aligning with the environmental objectives of the ICMA Green Bond Principles, UN SDGs, as well as the UK Taxonomy objectives.

6.26 Where departments own and fund projects financed via green financing instruments, they are required to periodically report data to HM Treasury to consolidate into allocation and impact reports.

6.27 With respect to projects and programmes funded through via green financing instruments, reporting entities may choose to include:

- a high-level analysis of climate change related expenditure disaggregated by area of spend (for example, by project or budget category) for the reporting period; and,
- an explanation of how funds were spent, what they were spent on, and the actual or estimated outcome.

6.28 This analysis could include environmental impact metrics and social co-benefits referenced in the framework. Furthermore, organisations can draw from the environmental and sustainability metrics identified in the Green Book and related guidance¹⁹. Where

¹⁹ [The Green Book](#) and [supplementary guidance on the environment](#) both provide guidance on project management and evaluation. Please refer to Annex A for further details.

relevant, these should be linked to departmental goals, strategic objectives and ODPs (where formally agreed and published).

Annex A

Useful links and further reading

A.1 This Annex provides useful links and further reading for preparers to consider when planning, implementing and reviewing their annual reporting with to climate change, the environment and sustainability.

Other guidance on reporting

A.2 HM Treasury's [Government Financial Reporting Manual \(FReM\)](#) provides a comprehensive guide to reporting requirements for government organisations. Specific requirements around climate and sustainability reporting can be found throughout section 5.4. The manual is updated and published on annual basis in December.

A.3 HM Treasury's [TCFD-aligned disclosure application guidance](#) directs public sector bodies on preparing climate-related financial disclosures for annual reports

A.4 Defra's [Greening Government Commitments \(GGCs\)](#) set out the actions UK government departments and their agencies will take to reduce their impacts on the environment. The GGCs annual report is published (usually in spring of) the year following the reporting period. Commitments are published for a five-year period with the most recent release in October 2021 for 2021-25.

Standard setters

A.5 The IFRS Foundation's ISSB has published the first two sustainability standards:

- [IFRS-S1 General Requirements for Disclosure of Sustainability-related Financial Information](#)
- [IFRS-S2 Climate-related Disclosures](#)

A.6 The IPSASB has launched a consultation on [Advancing Public Sector Sustainability Reporting](#).

A.7 The progress by these standard setters, as well as developments in the UK private sector, will influence decisions over the public sector's future sustainability reporting strategy. No further action is required by reporting organisations at this time.

Independent reviews and best practice examples

A.8 HM Treasury's [Best Practice Examples in Annual Reporting](#) includes examples of good financial and performance reporting in ARAs, together with a specific sub-section on sustainability reporting.

A.9 The Financial Reporting Council (FRC) published the [Climate Thematic Review](#) in February 2020 which considered the capacity for boards, companies, auditors, professional bodies and investors, to act as drivers of change in climate-related areas. The FRC findings can be applied in certain aspects to public sector entities.

A.10 The NAO published a range of useful guidance and report on [their website](#), including:

- [Guide on Good Practice in Annual Reporting](#) - good practice examples of how organisations can enhance their reporting, as well as specific examples relating to sustainability. The NAO publishes Good Practice Guides annually.
- [Climate change risk: A good practise guide for Audit and Risk Assurance Committees \(ARACs\)](#) - aims to help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.
- [A short guide to: Environmental protection and sustainable development](#) which summarises UK government action on environmental protection and sustainable development, how much it costs, recent and planned changes and what to look out for across the government's main business areas and services

A.11 The [Climate Change Committee](#) coordinate an independent assessment of the UK's climate risks under the Climate Change Act.

Guidance on project appraisal and management

A.12 HM Treasury's [Green Book](#) provides guidance on appraising policies, programmes and projects; as well as, on the design of monitoring and evaluation processes, before, during and after implementation. The UK government publishes supplementary guidance to the Green Book in specific specialist areas, including:

- [Valuation of energy use and greenhouse gas emissions for appraisal](#) - published by BIES in October 2021. The tables published support the valuing of energy use and GHG emissions.
- [Green Book supplementary guidance: climate change and environmental valuation](#) – issued by Defra. The guidance supports analysts and policymakers to ensure, where appropriate, that policies, programmes and projects are resilient to the effects of climate change, and that such effects are being taken into account when appraising options.

Important legislation and international agreements

A.13 The [Paris Agreement](#) is a legally binding international climate change treaty, and is a sub-agreement under the United Nations Framework Convention on Climate Change (UNFCCC) 1994. The agreement was adopted by 196 UN Parties at COP 21, on 12 December 2015 and entered into force with UK ratification on 4 November 2016. The agreement sets targets for signatories to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above preindustrial levels using objectives known as 'Nationally Determined Contributions' (NDCs). On 20 April 2021, the Government announced a more ambitious NDC targets of 78% by 2035 compared to 1990 levels.

A.14 In 2014, the EU law introduced to require certain companies to disclose information to provide an understanding of the undertaking's development, performance, position and impact of its activity. EU NFRD (2014/95/EU) which amends Directive 2013/34/EU and requires certain companies to disclose information in their management reports – [Non-Financial Reporting Disclosure \(NFRD\) Summary](#) and [Directive 2013/34/EU](#). All of public sector entities either through the FReM, CA2006 or other legislation This mandatory reporting requires departments to provide details on environmental protection, social responsibility, respect for human rights and diversity.

Annex B

Treasury and other contacts

B.1 This annex provides details of HM Treasury and other government officials who may be contacted for further advice and technical support.

Table 6.A Treasury and other contacts

Issue		
To query the content or report errors in this document	Government Financial Reporting Policy, HM Treasury	Resource.Accounts@hmtreasury.gov.uk
Technical area		
Requirements for sustainability reporting in ARAs	Government Financial Reporting Policy, HM Treasury	Resource.Accounts@hmtreasury.gov.uk Ensure that the email subject commences with 'Sustainability -', 'SRG -' or similar.
GGC – technical queries on: water, waste, resource efficiency, emissions to air, land and water and biodiversity	GGCs team, Defra	GGCmailbox@defra.gov.uk
Rural Proofing – technical queries	Rural Proofing, Defra	climate.adaption@defra.gov.uk
Technical queries on: Energy, carbon and Greenhouse Gas reporting	Public Sector Decarbonisation, DESNZ	reporting@beis.gov.uk
Climate Change Risk Assessment	Climate Team, Defra	climate.adaption@defra.gov.uk defra.helpline@defra.gov.uk netzero@defra.gov.uk

Ultra-low and zero emissions vehicles	Office for Zero Emission Vehicles (OZEV) team	olev.enquiries@olev.gov.uk
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Climate change conversion factors		climatechange.statistics@beis.gov.uk
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Annex C

List of abbreviations

C.1 Please Table C.1 (below) for a list of abbreviations used in this document and Table C.2 (next page) for a list of chemical compositions used in this document.

Table C.1 List of abbreviations

AAU	Assigned Amount Units
ARA	Annual Report and Account
ARAC	Audit and Risk Committee
BREEAM	Building Research Establishments Environmental Assessment Method
CCRA	Climate Change Risk Assessment
CCS	Carbon Capture and Storage
CDM	Clean Development Mechanism
CDP	Carbon Disclosure Project
CDSB	Climate Disclosures Standards Board
CER	Certified Emissions Reduction
CSUP	Consumer Single Use Plastics
EIP	Environment Improvement Plan
ERU	Emissions Reduction Unit
EU	European Union
FRC	Financial Reporting Council
FReM	Government Financial Reporting Manual
FTE	Full Time Equivalent
GAAP	Generally Accepted Accounting Principles
GBS	Government Buying Standards
GGCs	Greening Government Commitments
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HMRC	His Majesty's Revenue and Customs
ICMA	International Capital Market Association

ICT	Information Communication Technology
ISSB	International Sustainability Standards Board
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
IRC	Integrated Reporting Framework
ISO	International Standards Organisation
NAO	National Audit Office
NAP	National Adaptation Programme
NRP	Nature Recovery Plan
NDC	Nationally Determined Contributions
NDPB	Non-Departmental Public Body
NFRD	Non-Financial Reporting Disclosure
ODP	Outcome Delivery Plan
OZEV	Office of Zero Emission
RMU	Removals unit
SDAT	Sustainable Development Assessment Tool
SDG	UN Sustainable Development Goal
SECR	Streamlined Energy and Carbon Reporting
SR	Spending Review
SRG	Sustainability Reporting Guidance
TCFD	Task Force on Climate-Related Financial Disclosures
UKCP18	UK Climate Projections 2018
UNFCC	United Nations Framework Convention on Climate Change

Table C.2 Chemical compositions

CO ₂	Carbon dioxide
SF ₆	Sulphur hexafluoride
CH ₄	Methane
N ₂ O	Nitrous oxide
HFCs	Hydrofluorocarbons
PFCs	Perfluorocarbons
NF ₃	Nitrogen trifluoride

Annex D

Differences in the reporting requirements between Annual Reports and Accounts and the Greening Government Commitments

D.1 In 2010-11, HM Treasury introduced sustainability reporting for central government annual reports and accounts. To encourage consistency and reduce the measurement and reporting burden, where possible, this guidance has been developed to align with the [GGCs reporting requirements framework](#).

D.2 There are, however, certain areas of misalignment. These are primarily driven by:

- **Differences in reporting aims and focus** - different reporting channels are used for different objectives. Annual reports and accounts are intended to provide the primary users (Parliament) with an overview of performance, applying the concept of materiality to determine the appropriate level of information to include. The GGCs annual report is not prepared specifically for Parliament, with reporting influenced by policy leads determining which specific reporting metrics and information to collect.
- **Legislative and regulatory requirements** – specific legislative and regulatory requirements can drive the requirements for annual reports and accounts. Annually, HM Treasury updates reporting requirements to reflect the developments in private (and public) sector reporting to support the continued production of comparable, high-quality annual reports and accounts.
- **Timing and guidance/framework development cycles** – This guidance is updated on an annual basis; whereas the GGCs reporting requirements and related metrics are set for a single commitment period (usually five years). The threshold for updates to the GGCs is set much higher, to enable year-on-year comparisons, as well as consistent/fixed targets.

D.3 This Annex explains the differences in measurement and reporting requirements between this guidance and the GGCs reporting

framework. This Annex does not cover the additional reporting requirements for annual reports compared to the GGCs framework, where such information is included in the FReM (e.g., financial information to accompany the non-financial information, reporting layout and aggregation, SDGs, etc.). Furthermore, this Annex does not detail the differences between the underlying inputs into the GGCs periodic reporting template and the disclosure requirements for annual reporting purposes.

D.4 International standard setters are developing new sustainability standards and frameworks, while in parallel the UK private sector is facing new climate and sustainability-related reporting requirements through legislation and regulation. HM Treasury will continue to develop this guidance to consider developments in the private sector, as well as reflect new standards where appropriate. Revisions will aim to balance the benefits of high quality consistent and comparable annual reports, with the reporting burden of existing reporting frameworks/requirements across government.

Emissions reporting

D.5 Inclusion of a sustainability report will be deemed to have fulfilled the reporting requirements regarding GHG emissions in Schedule 7 of SI 2008 No. 410.

Uncommon Scope 1 and Scope 2 emissions not included in the GGCs reporting framework

D.6 For most central government bodies, emissions reporting under this guidance will be the same as under the GGCs reporting framework. However, for certain bodies whose operations produce material²⁰ Scope 1 and Scope 2 GHG emissions, in categories which are not specifically measured/reported under the GGCs, there are additional reporting requirements. These operations may include:

- Manufacturing and processing emissions – this may be either physical or chemical (e.g., catalytic cracking in petrochemical processing, perfluorocarbon emissions from aluminium smelting, road building, etc.);
- Other fugitive emissions, separate from refrigeration and air conditioning equipment. This may include intentional and unintentional releases of GHG emissions (e.g., equipment leaks from joints, seals, packing, gaskets, coal piles, wastewater treatment, pits, cooling towers, and gas processing facilities);
- Agriculture and land management;

²⁰ Information is considered to be material if, by its inclusion or exclusion, it can be seen to influence any decisions or actions taken by users of it.

- Health and defence laboratories;

D.7 Such bodies must disclose the additional GHG emissions that are not specifically collected under the GGCs reporting framework. The related figures should be disaggregated from the 'Scope 1' and 'Scope 2' totals, which are assessed against the GGCs targets. Annual report users must be provided with sufficient detail to understand the related GHG emissions, without hindering the ability to assess performance against GGCs targets. These disclosures may be included alongside other GHG emissions information or in a separate note.

D.8 This guidance utilises the scope concepts defined in the GHG Protocol and related GHG accounting principles. The GGCs reporting framework utilises a finite list of categories, designed to capture the key indicators for the vast majority of bodies while allowing for ease of preparation of periodic GGCs returns by government bodies. While there are differences in reporting requirements, the number of bodies impacted is extremely small.

Update to the GHG definition to include Nitrogen Trifluoride (NF₃)

D.9 Nitrogen Trifluoride (NF₃) is used in a small number of industrial processes – primarily in the manufacture of semiconductors, solar panels, chemical lasers and Liquid Crystal Display (LCD) panels. Very few government bodies will use (or emit) NF₃. Consequently, this difference in reporting requirements will not impact the vast majority of bodies.

D.10 This guidance includes Nitrogen Trifluoride in the definition of greenhouse gases. NF₃ reporting was added in the second Kyoto compliance period but was originally not listed under s.92 of the Climate Change Act 2008. In 2022, the BEIS Secretary of State amended the Climate Change Act²¹ to include NF₃ in the GHG definition. Under the new legal requirement, entities must report on NF₃ emissions where they are significant.

D.11 In October 2021, the GGCs were set for the period 2021-25 - prior to the amendment to Climate Change Act 2008. Hence, NF₃-related GHG emissions are not included in the GGCs reporting requirements. The GGCs reporting requirements tend not to be adjusted within a single commitment period. Defra will consider these changes in the next commitment period (in 2025-26).

Terminological preferences for emission scopes

D.12 This guidance refers to scope terminology (as defined in the GHG Protocol), however, the headline GGCs commitments categorise emissions into 'direct' and 'indirect'. However, the GGCs reporting

²¹ https://www.legislation.gov.uk/ukdsi/2022/9780348239713/pdfs/ukdsi_9780348239713_en.pdf

requirements do reference the GHG Protocol emission scopes for specific reporting categories.

D.13 Where annual reports refer to 'scope' terminology, a brief explanation of Scope 1, Scope 2 and Scope 3 should be provided. Furthermore, where there is partial coverage of an emissions scoping band (e.g., scope 3 – business travel), annual reports must identify the underlying categorisation of emission scopes to ensure users have sufficient detail to understand the category.

Transmissions and distribution losses included in emissions factors

D.14 There are no additional reporting requirements on transmissions and distribution losses. This information has been included for completeness.

D.15 Transmission and distribution losses are incorporated into the carbon emissions factors used for the GGCs. Where emission sources have transmission and distribution losses, in line with convention, the factors tend to have these losses included - even though they technically fall under a different scope.

D.16 While DESNZ publishes factors both inclusive and exclusive of transmission and distribution losses, the SRG requirements do not require any recalculation or categorisation for transmission and distribution losses. This simplification maintains alignment with the GGCs targets, simplifies tracking of performance and reduces the complexity/reporting burden on preparers.

D.17 Where for any reason, an organisation decides to separate out transmission and distribution losses, the ability for a user to track performance against related GGC targets (which include these losses) should not be encumbered.

Carbon Offsets

D.18 The GGC framework does not allow the use of carbon offsetting to meet GGC emission targets. This guidance lays out how to report on carbon offsets in annual reports for public sector bodies that choose to use carbon offsets (outside of the GGC framework).

Other reporting requirements

D.19 The reporting requirements in annual reports and accounts can be driven by other factors including regulation, legislation, policy, and where relevant and appropriate, best practice from the private sector.

Material finite resources

D.20 This guidance also requires disclosure on the use of other finite resources which are considered material to the organisation in meeting

its strategic objectives and not already reported elsewhere. Most central government bodies will not be impacted by this requirement.

D.21 The Government's Environmental Key Reporting Guideline Indicators can assist in identifying relevant KPIs. The need for central government bodies to report on the use of finite resources, which are material to them meeting their strategic policy objectives, is mandatory. Subsequently, while the KPI-related guidance itself is voluntary (for the private sector), central government bodies must include relevant material information to annual report users, including sufficient information in the performance analysis, on priority outcomes, strategic objectives and on principal risks impacting delivery.

Disposal of regulated resources or materials

D.22 Central government bodies may also have regulatory reporting requirements in their annual report and accounts with respect to the use or disposal of certain resources or materials (e.g., hazardous waste). Organisations are responsible for monitoring and complying with the regulatory requirements that are placed on them.

Other material information

D.23 Where information is material to the users of the annual reports and accounts, either by value or by nature, organisations should include the information in the performance report – for example reporting on significant environmental incidents (refer to [4.17](#)).

HM Treasury contacts

This document can be downloaded from www.gov.uk

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