



HM Treasury

Sustainability Reporting Guidance

Government Sustainability Reporting for
Annual Reports and Accounts

Sustainability Reporting Guidance and Greening Government Commitments

	Greening Government Commitments (link: GGCs) Annual Report (AR)	Sustainability Reporting Guidance (link: SRG)
Aim	Sets out five year government targets with 2021-25 due for release in April 2021	Sets out sustainability reporting requirements for departments when preparing their annual report and accounts (ARAs)
Span	22 central government departments and non-ministerial government departments and their Arm's Length Bodies (ALBs) unless specifically exempted	Identical to GGCs scope (plus follow the FReM) with the same government entities granted exemptions
Scope – Metrics	Greenhouse gas (GHG) emissions, domestic flights, waste, paper consumption, water	Identical to GGCs with option for further optional best practise disclosure
Scope – Narrative	Climate change adaption, biodiversity, procurement, construction	Also required and mandated in the Financial Reporting Manual (as well as the SRG)
Overseen by	Target by Defra; report by Defra/external consultants	HMT GFR (our team) with no audit/review
Policy support	BEIS (GHG emissions targets), CO, HMT and DfT	BEIS (GHG targets), CO, HMT and DfT and prepares (in Consultancy Group)
Output	GGC AR compares actuals to baseline/targets. Consolidated by department. External consultants, DMVGL (formerly BRE) quality check data	Sustainability section within the department's ARA
Timing	Annually, m+12	Annually, m+4

Sustainability reporting – Errors

We examined 8 department's ARAs for 2018-19 to evaluate:

- Compliance with SRG requirements (qualitative and quantitative)
- Consistency with the data in the Defra GGC AR
- Understandability and clarity

This assessment was to identify systemic issues for correction and not for audit purposes.

Overall, the level of compliance, consistency and understandability were low.

Variances may be due to timing of data, calculation errors, the use of different reporting contacts, or consolidation issue/visibility of data in the GGC ARA

% Variance between GGC AR and ARA (red indicates material error)

	GHG Emissions	Domestic Flights	Waste	Paper	Water	Rural Proofing Statement	Food Procurement Details
A	0%	0%	0%	10%	-9%	No	Statement Only
B	0%	0%	-1%	0%	142%	Yes	No
C	0%	Not included	0%	Not included	34%	Yes	No
D	9%	0%	-10%	9%	-7%	No	No
E	-4%	-2%	11%	Not included	1%	Yes	Yes
F	0%	Not included	0%	0%	3%	No	No
G	46%	0%	1%	0%	-4%	No	Statement only
H	-3%	1%	29%	-10%	-17%	Yes	Yes

Sustainability reporting – Errors

Common errors:

From the 8 departmental ARA's for 2018-19 that we evaluated, the table below shows the percentage of non-compliance within the specific 'common error' categorised as follows:

	GHG Emissions - Financial data recorded	Waste - Financial data recorded	Finite resource consumption - Financial data recorded	Rural proofing statement	Food Procurement details
Non-compliance	25%	63%	25%	50%	50%

From the ARA's examined:

- 1/4 of departments did not report on the financial data for their GHG emissions and finite resource consumption;
- Nearly 2/3 of departments only reported on the waste used in tonnes, with no financial data recorded;
- Only half of the departments included a statement on Rural Proofing;
- All departments included a statement on Sustainable Procurement, however only half provided detail on their 'food and catering procurement', which is a mandated requirement.

Sustainability Reporting – Cross government and external developments

Cross-government developments:

- Cross-government task force from HMT's Green Finance/BEIS/DWP - moving towards mandating TCFD recommendations across the private sector (by 2023)
- Outcome Delivery Plans include mandatory sustainability enabler to support delivery (starting from February 2021)
- HMT Greenbook supplementary sustainability guidance
- HMT Climate Policy - Carbon focus for CDEL SR bids (first run in SR 2021-22)
- NAO's sustainability overviews for sampled departments (ongoing on rotation)

External developments

- IFRS consultancy paper on their role in sustainability (closed December 2020)
- Drive for COP26 Glasgow (November 2021)
- Guidance on financial impacts of climate change from standard setters (since 2018)

Link: [UK's Joint Government Regulator TCFD Taskforce](#), [Green Book - Supplementary Guidance](#), [NAO Sustainability Overviews](#)

Sustainability Reporting Guidance – Developments

To improve sustainability reporting by ARA preparers:

- Update for GGC 21-25 with new commitments and layout
- Expand to cover more than just the GGCs
- Increase focus and linkage to financial reporting
- Update for external frameworks (to be included as best-practise). For TCFD, we are discussing a plan to incorporate the framework into the public sector.
- Move away from standard statements to narrative of past performance linking to performance figures
- Require self-verification of prior year figures to the GGC ARA figures
- Improve the clarity of the requirements box at the start
- Linkage to significant spending on Climate Change Policies and Outcome Delivery Plans (ODPs)
- Explanatory statement and plan for areas of sustainability data which are sub optimal

Sustainability Reporting – Other potential future proposals

To improve sustainability reporting by ARA preparers:

- Develop bank of good practise examples for both narrative sustainability reporting and climate change financial reporting and disclosure.
- Further guidance on new narrative reporting (SRG) and financial reporting (periodic PES guidance, FReM).
- Establish a sustainability reporting page on OneFinance for guidance and cross-government developments.
- Offer training on sustainability reporting (expected late 2021).

To develop the SRG:

- Perform our own sustainability reporting thematic review to evaluate entities compliance and effectiveness with the SRG.
- Expand the SRG page on Gov.uk and draft key requirements in HTML/accessible format.

Link: [Financial Reporting Council Climate Thematic Review](#) and [TCFD Status Report](#)