



HM Treasury

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*This application guidance is additive, with Phase 2 expanding on the existing reporting requirements for Phase 1. Following a public consultation on the Phase 2 exposure draft, additional detail and guidance have been added for clarification purposes, which also support Phase 1 disclosure requirements. Reporting entities are advised to consult the relevant sections of the most recent application guidance rather than using this document. There have been no changes to the underlying reporting requirements for Phase 1.*

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# TCFD-aligned disclosure

## **Application guidance**

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### Phase 1

SUPERSEDED

July 2023

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### Phase 1

July 2023

**OGL**

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# Foreword

This document sets out the principles and standards underpinning the application of the Task Force on Climate-related Financial Disclosure (TCFD) recommendations in central government, and where relevant, the wider public sector. This disclosure framework is a key part of the UK central government performance reporting framework, providing improved transparency and public accountability.

## Year of applicability

This application guidance for TCFD-aligned disclosure applies to reporting periods from 2023-24. A three-year phased implementation approach to TCFD recommendations will be used for central government – refer to Annex B for more details.

## Scope

This guidance applies to all departments (ministerial and non-ministerial), as well as some central government and wider public sector bodies that meet certain criteria, or where they have been directed/instructed to follow the guidance by their respective relevant authority. Other central government and public sector bodies may voluntarily choose to follow this guidance in full or in part. Refer to Chapter 1 for more details on the scope of this guidance.

## Summary requirements

Phase 1 of this application guidance sets out the disclosure requirements for the first year of implementation. In-scope reporting entities must include:

- a TCFD Compliance Statement – summarising the extent this guidance has been complied with, the reasons for non-compliance, and providing an overview of plans for future reporting.
- the TCFD Governance recommended disclosures:
  - (a) a description of the board’s oversight of climate-related issues.
  - (b) a description of management’s role in assessing and managing climate-related issues.
- where available as part of an entity’s existing reporting processes, the TCFD Metrics and Targets recommended disclosure (adapted):
  - (b) Scope 1, Scope 2, and, Scope 3 - business travel only greenhouse gas (GHG) emissions. This aligns with existing requirements in the [Sustainability Reporting Guidance](#) (SRG).

# Chapter 1

## Introduction

1.1 Climate change is a significant crisis facing the global community, and one the UK will need to continue to confront head-on amid warmer winters and hotter summers, plus more variable rainfall and more severe storms. Sea levels are rising by approximately 4 mm per year<sup>1</sup> millimetres a year around the UK coastline, increasing the risk to buildings and infrastructure close to the shoreline. Extreme weather – flooding, storms, heatwaves – already cause significant disruption in the UK every year, so we should not underestimate the challenges that a more extreme climate will have on our lives, the economy and our environment.

1.2 This chapter provides an overview of the Task Force on Climate-related Financial Disclosures recommendations, and explains how public sector bodies should use this guidance, as well as why TCFD-aligned disclosure is being pursued in UK public sector annual reports and accounts (herein referred to as ‘annual reports’). An overview of the TCFD framework has been included in [Figure 1](#) at the end of this chapter.

### Overview

1.3 The government recognises the recommendations of the Financial Stability Board’s (FSB) TCFD as one of the most effective frameworks for organisations to analyse, understand and ultimately disclose climate-related financial information against.

1.4 The TCFD’s recommendations set out how organisations across sectors and geographies can assess and disclose their Governance, Strategy, Risk Management and Metrics and Targets related to climate change.

1.5 TCFD’s aim is for these disclosures to promote the management of climate-related financial risk and opportunities across the economy and financial system.

1.6 While the TCFD recommendations were designed for the private sector, with the aim of providing markets with clear, comprehensive, high-quality climate-related information for financial decision-making; the public sector similarly requires climate-related information for decision-making and accountability to annual report users. The TCFD

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<sup>1</sup> [State of the UK Climate 2021 - Kendon - 2022 - International Journal of Climatology - Wiley Online Library](#)

principles are being adopted more broadly across different sectors and by international standard setters.

## Background

**1.7** In 2015, the FSB established the TCFD to develop recommendations for more effective climate-related disclosures to promote more informed decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets and exposures to climate-related risks.

**1.8** The Task Force published their recommendations in 2017<sup>2</sup>, which proposed:

- four widely adoptable recommendations across four thematic areas (Governance, Strategy, Risk Management, and Metrics and Targets);
- eleven recommended disclosures structured around the thematic areas, representing the core elements of the organisation's operations. The disclosures are intended to interlink and inform each other;
- general and sector-specific guidance for applying the framework
- seven key principles for effective disclosure:
  - relevant
  - specific and complete
  - clear, balanced, and understandable
  - consistent over time
  - comparable across the sector, industry, or portfolio
  - reliable, verifiable, and objective
  - timely

**1.9** Because climate-related risks and opportunities (collectively referred to as 'climate-related issues') are relevant for organisations across all sectors, the Task Force encourages all organisations to implement the recommendations.

**1.10** The UK government formally endorsed the TCFD framework<sup>3</sup> and has mandated TCFD-aligned disclosure for large entities in the UK private sector<sup>4</sup>.

## Rationale for public sector adoption

**1.11** Since their inception, the TCFD recommendations have been adopted by a broad range of organisations across countries, industries and sectors. The guidance in this document has been introduced to

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<sup>2</sup> FSB's TCFD guidance: [www.fsb-tcfid.org/](http://www.fsb-tcfid.org/)

<sup>3</sup> [www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law](http://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law)

<sup>4</sup> BEIS Climate-related financial disclosures for companies and limited liability partnerships: [www.gov.uk/government/publications/climate-related-financial-disclosures-for-companies-and-limited-liability-partnerships-llps](http://www.gov.uk/government/publications/climate-related-financial-disclosures-for-companies-and-limited-liability-partnerships-llps)



improve the quality and breadth of climate-related information in annual reports in central government and align climate-related reporting with the private sector.

1.12 In addition, the TCFD recommendations are being adopted more broadly as the foundation for new international sustainability standards (e.g., upcoming/proposed sustainability standards from IFRS Foundation's International Sustainability Standards Board<sup>5</sup> (ISSB) and the International Public Sector Accounting Standards Board<sup>6</sup> (IPSASB)). Adopting TCFD recommendations ensures that the UK public sector is following global best practice.

1.13 There are, however, necessary interpretations and adaptations for applying the TCFD framework in a public sector context which have been addressed in the subsequent chapters.

1.14 The specific public sector interpretations and adaptations have been summarised and explained in Annex A.

## Application

1.15 This guidance should be read in conjunction with the [TCFD's Guidance: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#) ('TCFD's guidance'). Reporting entities should familiarise themselves with the TCFD recommendations and the relevant supporting guidance.

1.16 There is an array of existing material and guidance published by TCFD, as well as other external bodies, which may be useful to expand knowledge, build capacity and enhance reporting - noting the necessary interpretations and adaptations for a public sector context addressed in this guidance.

1.17 The following chapters address the specific disclosure requirements and supporting guidance, categorised into the four TCFD core elements:

- |                       |           |
|-----------------------|-----------|
| • Governance          | Chapter 2 |
| • Strategy            | Chapter 3 |
| • Risk Management     | Chapter 4 |
| • Metrics and Targets | Chapter 5 |

## Implementation approach

1.18 Reporting entities will benefit from adopting TCFD-aligned disclosure in a phased approach. This application guidance is also being

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<sup>5</sup> ISSB [www.ifrs.org/groups/international-sustainability-standards-board/](http://www.ifrs.org/groups/international-sustainability-standards-board/)

<sup>6</sup> IPSASB's consultation on Advancing Public Sector Sustainability Reporting: [www.ipsasb.org/publications/consultation-paper-advancing-public-sector-sustainability-reporting](http://www.ipsasb.org/publications/consultation-paper-advancing-public-sector-sustainability-reporting)

released in phases<sup>7</sup>. Disclosure requirements for future phases will be released in an updated version of this guidance, with phasing as follows:

**Phase 1 (this guidance) addresses:**

- general principles including scoping;
- the Governance recommendation and recommended disclosures (a) and (b);
- the Metrics and Targets recommended disclosure (b) – where data is available; and,
- the TCFD Compliance Statement requirements.

**Phase 2 is anticipated to address:**

- the Metrics and Targets recommendation and recommended disclosures (a) and (c); and,
- the Risk Management recommendation and recommended disclosure (a) to (c).

**Phase 3 is anticipated to address:**

- the Strategy recommendation and recommended disclosures (a) to (c).

**1.19** Allowing sufficient time to implement the TCFD recommendations is essential. However, organisations should engage with the framework early, scaling up based on priorities, materiality, and available resources.

**1.20** The implementation timetable for in-scope reporting entities in central government, including years of applicability, have been outlined in Annex B.

## Scope

**1.21** Reporting entities must verify whether they are ‘in-scope’ of this guidance – refer to Figure 2. Flowchart for applying this guidance.

## Central government

**1.22** HM Treasury sets the requirements for central government annual reports and accounts in consultation with the Financial Reporting Advisory Board (FRAB). FRAB advise on annual reporting requirements for all relevant authorities across the public sector. This guidance has been reviewed and approved by FRAB.

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<sup>7</sup> HM Treasury has set out a proposed timetable for developing application guidance which has been approved by the Financial Reporting Advisory Board. Refer to Annex 2 in [FRAB 149 \(13\)](#)

1.23 All central government departments (ministerial and non-ministerial) must apply this guidance.

1.24 Arm's-length bodies (ALBs) are required to follow this guidance where they have:

- more than 500 employees<sup>8</sup>; or,
- total operating income exceeding £500m; or,
- been instructed by their sponsoring department to follow this guidance.

1.25 This guidance is not mandatory for:

- ALBs not specifically brought into scope in paragraph (para.) 1.24;
- Other central government bodies, where existing TCFD-related regulatory or legislative requirements override this guidance - refer to para. 1.33;
- Wider public sector bodies (unless specifically directed by their respective relevant authority or relevant regulation/legislation - refer to para. 1.27 and 1.33).

## Wider public sector

1.26 This guidance does not automatically apply to local government, NHS bodies (Trusts, Foundations, Integrated Care Boards), public corporations, and entities in the devolved administrations.

1.27 Relevant authorities may direct entities to follow this guidance or choose to adapt this guidance to meet their needs. Entities in the wider public sector may wish to consult with their relevant authority on TCFD-aligned disclosure.

## Significantly impacted sectors and industrial groups

1.28 Certain sectors and industries are likely to be more impacted by climate-related issues. TCFD identified the following groups as potentially being most affected by climate change and the transition to a lower carbon economy:

### Financial:

- Banks
- Insurance companies
- Asset owners
- Asset managers

### Non-financial:

- Energy
- Transportation
- Materials and buildings
- Agriculture, food, and forest products

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<sup>8</sup> Full Time Equivalent (FTE) staff averaged across the reporting period.

1.29 For the financial sector and non-financial groups identified in para. 1.29., the Task Force published supplementary guidance for the recommended disclosures related to Strategy, Risk Management and Metrics and Targets – refer to Figure 1.A.

1.30 Public sector bodies operating in these sectors or industrial groups may similarly be impacted by climate-related issues. Where they are not already brought into scope (para 1.22 to 1.24, and 1.27), or directly impacted regulation/legislation (para 1.32), they should strongly consider making TCFD-aligned disclosure.

1.31 Furthermore, such entities should strongly consider applying the TCFD Supplementary Guidance. Figure 1.A identifies where TCFD has provided supplementary guidance for different sectors.

**Figure 1.A TCFD's Supplementary Guidance for financial sector and non-financial groups**

Industries and Groups		Governance		Strategy			Risk Management			Metrics and Targets		
		a)	b)	a)	b)	c)	a)	b)	c)	a)	b)	c)
Financial	Banks			■			■			■	■	
	Insurance Companies				■	■	■	■		■	■	
	Asset Owners				■	■	■	■		■	■	
	Asset Managers				■		■	■		■	■	
Non-Financial	Energy				■	■					■	
	Transportation				■	■					■	
	Materials and Buildings				■	■					■	
	Ag, Food, and Forest Products				■	■					■	

Source: [www.fsb-tcfid.org/publications/](http://www.fsb-tcfid.org/publications/)

### Entities subject to TCFD-related (or similar) legislation or regulation

1.32 Where an entity is subject to existing legislation or regulation relating to TCFD-aligned disclosure or similar, they must follow the related requirements in full. This can be summarised as follows:

- Publicly quoted companies, large private companies and LLPs should check the BEIS Mandatory climate-related financial disclosure.
- Premium-listed and standard-listed companies should check the Financial Conduct Authority (FCA) Listing Rules.
- FCA-regulated companies should check the FCA Climate-related Disclosure Rules. Relevant types of entities include:
  - asset managers

- life insurers (including pure insurers)
- non-insurer FCA-regulated pension providers, including platform firms and Self-invested Personal Pension (SIPP) operators
- FCA-regulated pension providers

## Voluntary adoption

**1.33** Applying the TCFD recommendations provides various benefits to both reporting entities and report users. As a result, public sector bodies may choose to voluntarily apply this guidance - in full or in part.

**1.34** Where a reporting entity is significantly impacted by climate-related issues, they should consider the need for TCFD disclosure – even where they do not meet the specific criteria for mandatory disclosure laid out in this chapter. In addition to increased transparency to key stakeholders across the four pillars, the related disclosure provide management with decision useful information.

**1.35** Where an entity’s policy or regulatory remit is heavily influenced by or has a significant influence on climate change, they should also consider whether disclosure is appropriate based on the informational needs of their annual report users.

## Principles

### Comply or explain

**1.36** The TCFD framework is principles-based. In-scope reporting entities must apply a ‘comply or explain’ basis for disclosure; complying with each of the required TCFD’s recommended disclosures; or explaining non-compliance against each of the requirements.

**1.37** Where an entity chooses to report voluntarily against this guidance, they are not required to explain non-compliance against disclosure requirements.

**1.38** Public sector bodies may face challenges to implementation and disclosure (e.g., resourcing constraints, availability of expertise, capacity limitations, etc.). These need to be balanced with the principles in Managing Public Money (MPM)<sup>9</sup> concerning the use of public funds.

**1.39** In rare circumstances, if cost is the reason given for not providing disclosure on a comply or explain scenario, the explanation should include enough details to allow a user to understand why compliance, in that instance, would not give value for money.

**1.40** Moreover, it may not be possible for certain public sector bodies to provide sufficient information to meet the requirements of each of the recommended disclosures (e.g., because of legislative or regulatory

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<sup>9</sup> MPM: [www.gov.uk/government/publications/managing-public-money](http://www.gov.uk/government/publications/managing-public-money)

constraints, commercial or political sensitivity, significant uncertainty, etc.).

1.41 In each case, the reporting entity must explain in enough detail for the user to understand the non-compliance.

#### Interaction with the phased implementation timetable

1.42 In-scope reporting entities must apply the requirements set out in this guidance on a 'comply or explain' basis at each phase of implementation. For example, for Phase 1 only Governance a) and b), and where available from existing reporting processes, Metrics and Targets b) recommended disclosures have to be disclosed. Consequently, in-scope reporting entities would only have to explain non-compliance against these recommended disclosures.

1.43 Reporting entities adopting the guidance voluntarily are not required to explain non-compliance in their annual report.

#### Compliance statement

1.44 Reporting entities must also prepare an overall statement of the extent of consistency with the TCFD's recommended disclosures (referred to in this document as a 'compliance statement').

1.45 The compliance statement must be presented at the start of the TCFD-related disclosures in the annual report and must detail:

- which recommendations and recommended disclosures have been complied with and which have not;
- for those which have not, a short summary of the reason for non-compliance, and any plans for future disclosure.

1.46 Where a reporting entity is implementing in line with an authorised phased implementation timetable the compliance statement must differentiate between compliance with the timetable and the overall framework, from disclosure requirements for future years which are not yet expected.

1.47 For example, for Phase 1 a central government department must state which of the recommended disclosures for Governance (a) and (b), and for Metrics and Targets (b) have been complied with, and/or explain any non-compliance against each of these recommended disclosures, as well as state progress against the implementation. Refer to para. 1.18 for further information about the phased implementation timetable for central government.

## Example Compliance Statement

[Entity] has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance which interprets and adapts the framework for the UK public sector. [Entity] has complied with the TCFD recommendations and recommendations disclosures around [sic]:

*governance (all recommended disclosures)*

*metrics and targets (disclosures (b)).*

This is in line with the central government's TCFD-aligned disclosure implementation timetable. [Entity] plans to make disclosures for Strategy, Risk Management and Metrics and Targets disclosures (a) and (c) in future reporting periods in line with the central government implementation timetable.

**1.48** In addition, an entity may provide a broader context on their climate-related financial disclosures, for example, on uncertainty in their assumptions, connectivity with other sections of their annual report, differentiating between qualitative and quantitative responses, etc. This information may also be included alongside the TCFD Compliance Statement.

## Interactions with existing requirements

**1.49** This guidance has been designed to align with and complement existing climate-related reporting frameworks. Applying this guidance does not override existing reporting requirements (e.g., the Greening Government Commitments (GGCs)) imposed by statute, regulation or other authority.

**1.50** Where existing disclosure requirements (in annual reports) align closely with the TCFD's recommendations or recommended disclosures, reporting entities should apply judgment in deciding whether the TCFD requirements have already been met (and can be cross-referenced).

**1.51** Delivering concise annual reports, which focus on the needs of the primary user and avoid unnecessary or duplicative information, improves their effectiveness.

## Location

### Publication

**1.52** The TCFD recommends including material climate-related information in the organisation's main financial filings to improve the linkage and consistency between narrative/performance reports and the financial statements.

1.53 The integration of performance and financial information is essential to improve wider financial management<sup>10</sup>. As a result, HM Treasury requires central government bodies to disclose material climate-related information in annual reports.

1.54 The Task Force recommends the use of separate TCFD reports for certain industries (identified in para. 1.29) where disclosed information is not yet deemed material. HM Treasury is not encouraging central government bodies to do the same. This guidance is for annual reports, with a focus on information material to primary users and does not address separate reporting.

### Position

1.55 Reporting entities, in central government, must include the TCFD-related disclosures in the performance reporting section of their annual reports - either within the performance overview/analysis section; incorporated into the sustainability reporting section; or as a new section. Please refer to the Performance Reporting section of the [Government Financial Reporting Manual \(FReM\)](#) for further details.

### Reporting boundaries

1.56 In-scope central government bodies are expected to report at a group level (i.e., departments are expected to report on their departmental group). Where in-scope reporting entities are unable to report for their group, they must provide an explanation.

### Assurance

1.57 As the TCFD-aligned disclosure is within the annual report, it is within the scope of the auditor's opinion on 'other information'. Under ISA 720 the auditor provides a negative consistency opinion on other information which involves reading the other financial and non-financial information and considering whether it is materially inconsistent with the financial statements, the auditors' knowledge obtained through the audit or otherwise appears to be materially misstated.

1.58 However, the TCFD-aligned disclosures are not subject to an assurance opinion from the auditor, and the auditor will not perform any audit procedures on the underlying TCFD information.

## Focus

### Primary users and materiality

1.59 Climate-related risk is a non-diversifiable risk that affects nearly all industries and sectors. Reporting entities must consider whether climate-related issues are material - either by value or by nature - to the

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<sup>10</sup> December 2013: Review of Financial Management in Government:  
[www.gov.uk/government/publications/review-of-financial-management-in-government](http://www.gov.uk/government/publications/review-of-financial-management-in-government)



users of the accounts. In making this assessment, the focus should be on the primary users. For central government annual reports, that is Parliament.

**1.60** The concept of materiality is about what matters to those using the report. Reporting entities should avoid applying a checklist approach to materiality and should consider the needs of users when judging what is material<sup>11</sup>. Irrelevant or superfluous information which is either common knowledge or fails to add value to the primary user's understanding of the organisation impacts the reporting effectiveness.

**1.61** In-scope reporting entities must provide recommended disclosures for Governance (a) and (b) and Metrics and Targets (b) (as laid out in this guidance) independent of a materiality assessment - explaining any non-compliance.

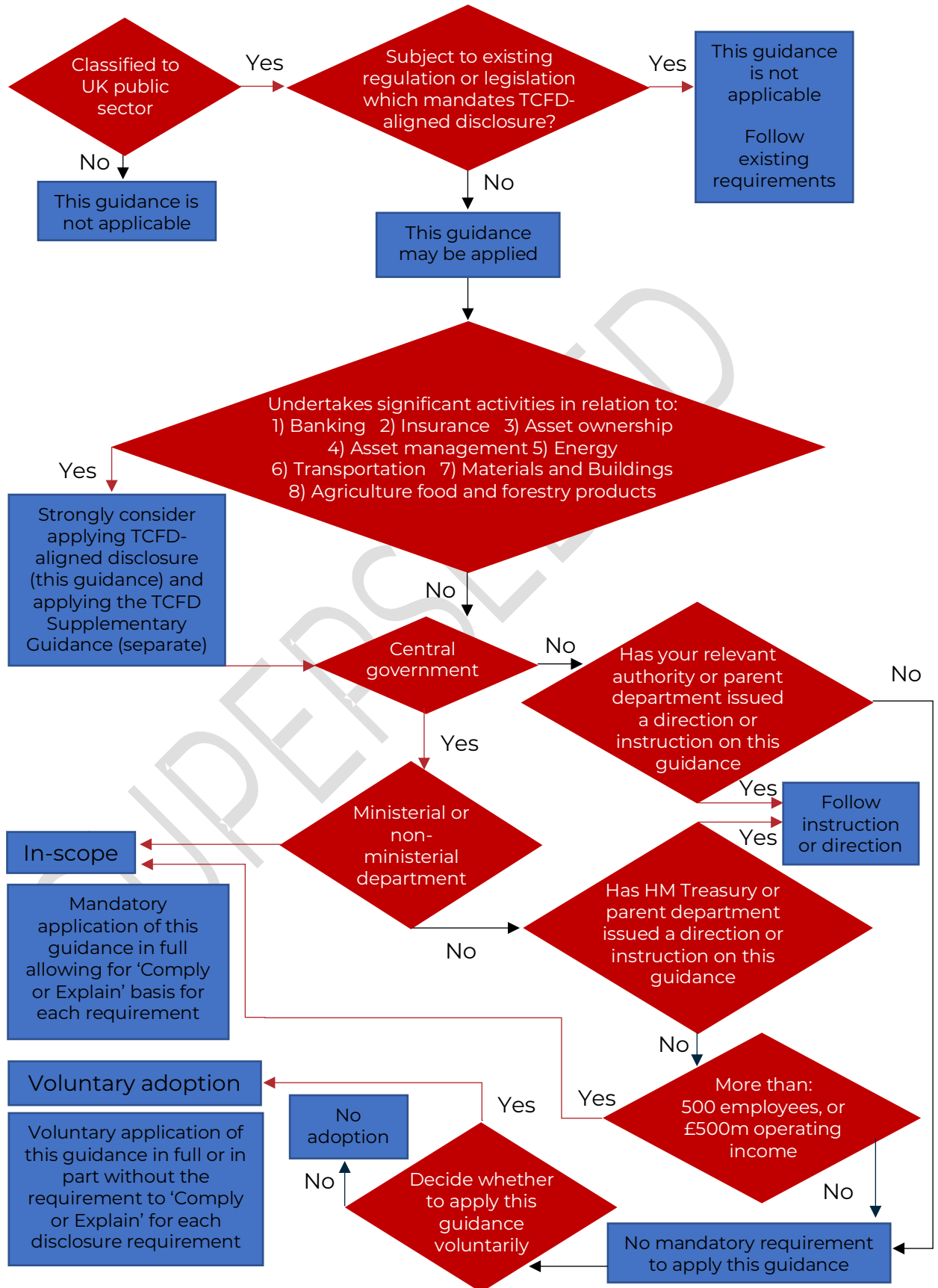
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<sup>11</sup> April 2019: Government Financial Reporting Review: [www.gov.uk/government/publications/the-government-financial-reporting-review](http://www.gov.uk/government/publications/the-government-financial-reporting-review)

**Figure 1 Overview of the TCFD framework**



**Figure 2 Flowchart for applying this guidance**



# Chapter 2

## Governance

2.1 Good governance is fundamental to any effective and well-managed organisation – be it private or public sector – and is the hallmark of any entity that is run accountably and with long-term interests clearly in mind.

### Recommendation for Governance

Disclose the organisation's governance around climate-related issues.

### Overview

2.2 This chapter addresses the disclosure of an organisation's governance arrangements for climate-related issues. These principally qualitative disclosures are designed to assist report users to assess the adequacy and effectiveness of an organisation's board to oversee, evaluate and manage climate-related issues.

### Materiality

2.3 While para. 1.60 supports flexibility for annual report preparers when considering materiality, the Task Force's guidance requires disclosure related to this pillar to be included in annual reports without being subject to a further materiality assessment. This is driven by climate-related risks being non-diversifiable and having a wide impact.

2.4 Parliamentary focus on climate change has increased with various committees, Commons debates and house questions on the topic. Similarly, there has been an increased focus from the public. In line with the TCFD, our assessment is that disclosures related to Governance, which are fundamental to managing an organisation's climate-related risks, are material by nature.

2.5 Consequently, in-scope bodies should provide the recommended disclosures for Governance. The level of detail provided remains at the discretion of preparers but should meet the needs of the primary users of annual reports.

### Applicability

2.6 The management structures for making decisions and holding responsibility in the public sector are not always aligned with the private sector.

2.7 While the Code of Good Practice<sup>12</sup> has embedded the 'department board model' into central government departments; other public sector bodies may have governance structures which vary significantly from private corporations. In such instances, the principles for the recommended disclosures should be applied – even if the terminology, composition and structures themselves are different.

## Recommended disclosures

2.8 A reporting body should disclose information which allows a user of its annual reports to understand how risks and opportunities relating to climate change are identified, considered, and managed within its governance structure.

2.9 This section sets out the TCFD recommended disclosures (see boxes below) for Governance, with the supporting TCFD guidance in red. The supporting TCFD guidance includes minor public sector interpretations and adaptations - denoted in italics and explained in Annex A.

2.10 Further guidance on each recommended disclosure, has been included to support preparers with disclosure (e.g., public sector-specific considerations). This also draws from common findings from the TCFD review on private companies conducted by the Financial Conduct Authority<sup>13</sup> and Financial Reporting Council<sup>14</sup>.

### Recommended disclosure for Governance (a)

#### Board's oversight

Describe the board's oversight of climate-related issues.

#### Supporting TCFD guidance

In describing the board's oversight of climate-related issues, organisations should consider including a discussion of the following:

- processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues;
- whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and

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<sup>12</sup> [www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017](https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017)

<sup>13</sup> [www.fca.org.uk/publications/multi-firm-reviews/tcf-aligned-disclosures-premium-listed-commercial-companies](https://www.fca.org.uk/publications/multi-firm-reviews/tcf-aligned-disclosures-premium-listed-commercial-companies)

<sup>14</sup> [www.frc.org.uk/getattachment/65fa8b6f-2bed-4a67-8471-ab91c9cd2e85/FRC-TCFD-disclosures-and-climate-in-the-financial-statements\\_July-2022.pdf](https://www.frc.org.uk/getattachment/65fa8b6f-2bed-4a67-8471-ab91c9cd2e85/FRC-TCFD-disclosures-and-climate-in-the-financial-statements_July-2022.pdf)

*organisation plans* as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures investment or grant decisions, and restructures (e.g., *Machinery of Government changes*); and

- how the board monitors and oversees progress against goals and targets for addressing climate-related issues.

#### Further guidance

2.11 Disclosure may include information on whether the organisation's climate policies and strategies are addressed by the same governance processes, disclosure controls and procedures used for financial management or alongside other risk management processes (e.g., strategic, stakeholder management, safety, etc.).

2.12 Where certain climate policies and specific strategies have been set by an authority outside of the organisation, the disclosure should include a brief description and may cross-reference to external sources.

2.13 [The Orange Book](#) sets out principles for effective risk management and is applicable to all central government departments and their ALBs. The guidance may be useful to all parts of the UK public sector, as the same principles generally apply, with adjustments for context. Section A: Governance and Leadership in the 'Orange Book: Management of risk – Principles and Concepts' is pertinent to this chapter.

### **Recommended disclosure for Governance (b)**

#### **Management's role**

Describe management's role in assessing and managing climate-related issues.

#### Supporting guidance

In describing management's role related to the assessment and management of climate-related issues, *organisations* should consider including the following information:

- whether the organisation has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues;
- a description of the associated organisational structure(s);
- processes by which management is informed about climate-related issues; and

- how management (through specific positions and/or management committees) monitors climate-related issues.

#### Further guidance

2.14 In this guidance, management refers to the structures below the Board. For central government, this would include the structures described in the Corporate Governance Report – please refer to the [FReM](#).

2.15 Reporting entities should disclose the key reporting channels and processes for climate-related issues, and how these are integrated into the organisation's overall governance. The information disclosed may include the responsibilities of relevant committees or individual management positions (e.g., job titles, individuals accountable), as well as identify specific reviews being undertaken.

2.16 For example, reporting entities may want to disclose if a member of their Executive Committee is responsible for internal climate change policy, or how climate change issues are considered in investment committees and decisions.

#### Further considerations

2.17 If no directors have oversight of climate-related risks and opportunities and/or no individual within the organisation has responsibility for assessing or managing climate-related issues, then this should be stated.

2.18 The disclosures interact with other requirements in annual reports, and reporting entities should appropriately cross-reference to enable users to understand the governance of climate change and the actions by the board in an overall context (e.g., to the Governance Statement).

2.19 Where climate change has been identified as a principal risk, entities should indicate how climate change has been addressed as a principal matter for the organisation.

# Chapter 3

## Strategy

3.1 HM Treasury intends to publish TCFD Application Guidance for Strategy in an updated version of this document, in line with the announced timetable – refer to Annex B.

3.2 The Task Force has published their recommendations and guidance for Strategy on their website. Public sector bodies can choose to implement the TCFD recommendations independently and are encouraged to do so if these recommendations are deemed material to the users of annual reports.

SUPERSEDED



## Chapter 4

# Risk Management

4.1 HM Treasury intends to publish TCFD Application Guidance for Risk Management in an updated version of this document, in line with the announced timetable – refer to Annex B.

4.2 The Task Force has published their recommendations and guidance for Risk Management on their website. Public sector bodies can choose to implement the TCFD recommendations independently and are encouraged to do so if these recommendations are deemed material to the users of annual reports.

SUPERSEDED

# Chapter 5

## Metrics and Targets

### Introduction

5.1 HM Treasury intends to publish full TCFD Application Guidance for Metrics and Targets in an updated version of this document, in line with the announced timetable – refer to Annex B. No additional Metrics and Targets reporting requirements are expected at this stage.

5.2 Rather than introducing additional Metrics and Targets requirements, this chapter addresses the linkage between the Metrics and Targets recommended disclosure (b) with existing emission-related reporting requirements. This is particularly pertinent to central government, where there are existing emissions reporting requirements<sup>15</sup> for annual reports.

5.3 The Task Force has published their recommendations and guidance for Metrics and Targets on their website. Public sector bodies can choose to implement the TCFD recommendations independently and are encouraged to do so if these recommendations are deemed material to the users of annual reports.

5.4 This guidance below does not address TCFD’s recommendation for Metrics and Targets (box below) in full. These will be addressed in Phase 2. The guidance in this chapter only addresses the interaction between Metrics and Targets recommended disclosure (b) and existing emissions-related reporting requirements

#### **Recommendation for Metrics and Targets**

Disclose the metrics and targets used to assess and manage relevant climate-related issues where such information is material.

### Overview

Metrics and targets are essential for monitoring performance and tracking progress. The Climate Change Act<sup>16</sup> commits the UK government by law to reduce Greenhouse Gas (GHG) emissions – similar legislation has been set by devolved administrations. Central

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<sup>15</sup> HM Treasury publishes annual sustainability reporting requirements for central government bodies falling into the scope of the GGCs: <https://www.gov.uk/government/collections/public-sector-annual-reports-sustainability-reporting-guidance>

<sup>16</sup> Climate Change Act 2008: [www.legislation.gov.uk/ukpga/2008/27/contents](http://www.legislation.gov.uk/ukpga/2008/27/contents)

government and wider public sector bodies may have set their own net zero commitments.

Parliament, the public and other stakeholders need to understand how an organisation measures and monitors its climate-related risks and opportunities. This transparency enables them to track an individual entity's performance.

## Recommended disclosures

**5.5** Stakeholders require a clear understanding of an organization's methods for assessing and tracking climate-related risks and opportunities. Access to the metrics and targets employed by the organization enables stakeholders to make informed evaluations of its performance, level of vulnerability to climate-related issues, and the progress made in effectively managing or adapting to those issues.

**5.6** The requirements for Metrics and Targets recommended disclosure (b) for emissions reporting are not being introduced in Phase 1. The detail in this section enables a comparison between existing emissions reporting and the TCFD requirements.

**5.7** This section sets out the TCFD's recommended disclosure for Metrics and Targets (b) (box below), with the supporting TCFD guidance in red. The supporting TCFD guidance includes minor public sector interpretations and adaptations - denoted in italics and explained in Annex A.

### **Recommended disclosure for Metrics and Targets (b)**

#### **Emissions reporting**

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.

#### Supporting guidance

*Organisations should provide their Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if appropriate, Scope 3 GHG emissions and the related risks. All organisations should consider disclosing Scope 3 GHG emissions.*

*GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organisations and jurisdictions. As appropriate, organisations should consider providing related, generally accepted industry specific GHG efficiency ratios.*

*GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organisations should provide a description of the methodologies used to calculate or estimate the metrics.*

## Interaction with existing requirements

### Central government

5.8 Currently, the GGCs require certain central government bodies to report on emissions, including Scope 1, Scope 2 and Scope 3 – business travel only. The SRG<sup>14</sup> requires these same emissions scopes for annual reports. At present, further categories of Scope 3 GHG emissions (in addition to business travel) are not required for GGC or SRG purposes. For Phase 1, central government bodies must apply the same organisational boundary as applied in the SRG where this is different to the principle set out in para. 1.57.

5.9 Where central government bodies report on emissions, in line with the SRG, they may choose to include this information in the same location as the TCFD Compliance Statement and recommended disclosures or continue to report in the sustainability report. However, appropriate cross-referencing should be added.

5.10 Central government bodies that are in scope of this guidance (refer to para. 1.22 to 1.26) but that do not report under the GGCs - either due to an exemption or designation within central government - are not expected to report on Metrics and Targets in 2023-24.

### Other public sector bodies

5.11 Other public sector bodies intending to adopt the TCFD recommendations may benefit from considering emissions reporting early on in their implementation plan.

5.12 These considerations may necessitate new reporting procedures, adapting/extending existing voluntary reporting, or assessing alignment of their existing frameworks with the TCFD guidance. Relevant authorities should be consulted where appropriate.

5.13 The GHG Protocol is the most widely used methodology and underpins most emissions reporting frameworks – including the TCFD's framework (refer to the box and supporting guidance in red on the previous page).

# Annex A

## Interpretations and adaptations

**A.1** The Task Force developed their recommendations for the private sector. Consequently, certain key principles, concepts and terms used in the TCFD guidance have to be interpreted for a public sector context.

**A.2** Table 5.A (below) identifies and explains the public sector interpretations and adaptations for the TCFD framework. These interpretations and adaptations are limited specifically to this guidance and should not be applied more widely.

**Table 5.A Public sector interpretations and adaptations**

Private sector	Public sector	Explanation
Business	Organisation	Encompasses a wider array of bodies, including those in the public sector.
Business plan	Organisation plan	A plan sets out what an organisation does, and what it is trying to achieve. For the private sector, this is focused on making profit; whereas for the public sector this is focused on delivery. For example, this could be the sustainability enabler with a central government department's Outcome Delivery Plan (ODP).
Acquisition and divestures	Investment and grant decisions, or restructures (e.g., Machinery of Government changes)	While public sector bodies can acquire and divest other investments; these decisions tend to encompass a broader array of actions, including different types of restructures (e.g., Machinery of Government changes), grants, and investments.
Sectors	Services	Private sector entities are able to define their own sectors for categorisation. TCFD identifies specific sectors, for which 'government' is a single category. For the public sector,

		standardising categorisations improves comparability and consistency.
Products and services	Public good and services	The public sector delivers public goods and services, not products and services.
Supply chain and/or value chain	Supply chain	The public sector is focused on the delivery of public goods and services - not profit. This is not limited to monetisable value.
Investment in research and development	Funding research and development;	Equity investment in the private sector is common. Other forms of funding (e.g., grant funding) are also used in the public sector. Consequently, funding has been used to encompass the broader funding streams.
Access to capital	Access to parliamentary supply, other funding, and resources	For the private sector, access to capital predominantly refers to cash raised from debt and equity. For the public sector, funds are predominantly raised via taxes (as well as fees and levies), borrowing and other sources (e.g., donations or selling public assets).

# Annex B

## Phased implementation approach

**B.1** The TCFD recommendations are intended to fundamentally change how organisations address climate change and its impacts, culminating in insightful disclosures. A phased approach (both in scope and timing) provides reporting entities with solid building blocks to allow for the most effective implementation of the TCFD recommendations.

**B.2** In the private sector, generally, organisations have chosen to provide the Governance disclosures first as these engage senior leadership and are higher level/ more qualitative. Organisations often then provide disclosures for Risk Management and Metrics and Targets, before attempting the more complex and qualitative disclosures for Strategy. This has informed our implementation timetable for central government which is set out in Table 5.B (next page).

**B.3** While in-scope central government bodies should follow the implementation timetable set out in Table 5.B, the 'comply or explain' principle applies to the overall implementation approach just as it does to individual disclosures. Therefore, entities may choose to diverge from the implementation timetable, on the condition that they provide an explanation in the TCFD Compliance Statement (refer to para 1.44).

**B.4** Public sector bodies should assess progress and evaluate performance throughout implementation, with an appropriate level of review and oversight by those charged with governance in their review and approval of each year's annual report.

**B.5** Setting out a clear and realistic implementation timetable for TCFD recommendations is likely to improve the quality and effectiveness of disclosure. The phased approach for central government may be used as a template, recognising the differences in users' informational needs, risks and capacity. Relevant authorities may choose to set their own implementation timetables which entities should remain alert to.

**B.6** A reporting entity may choose to follow a slower implementation timetable. In-scope reporting entities would provide an explanation for non-compliance with the timetable. Where such information gaps are considered material, the reporting entity should set out its future plans to address the gaps. The information needs of users should be the driving factor in determining what to include in annual reports. Applying appropriate judgement to the level and breadth of disclosure is key to producing effective and useful public sector annual reports.

**Table 5.B Overview of TCF-aligned implementation phases in central government**

	<b>Phase 1 – Governance focus</b>	<b>Phase 2 – Risk Management and Metrics and Targets</b>	<b>Phase 3 – Strategy</b>
<b>Target period</b>	2023-24 (for annual reports ending 31 March 2024)	2024-25 (for annual reports ending 31 March 2025)	2025-26 (for annual reports ending 31 March 2026)
<b>Focus</b>	High-level overview	Qualitative disclosures	Quantitative disclosures with technical requirements. TCFD-aligned disclosure is fully implemented.
<b>Requirements</b>	Reporting entities shall provide a TCFD Compliance Statement and the recommended disclosures for: <ul style="list-style-type: none"> <li>• Governance</li> <li>• Metrics and Targets (b), only where available from existing reporting processes.</li> </ul> <p>Comply or explain basis</p>	Reporting entities shall provide a TCFD Compliance Statement and the recommended disclosures for: <ul style="list-style-type: none"> <li>• Governance</li> <li>• Risk Management</li> <li>• Metrics and Targets</li> </ul> <p>Comply or explain basis</p>	Reporting entities shall provide a TCFD Compliance Statement and the recommended disclosures for: <ul style="list-style-type: none"> <li>• Governance</li> <li>• Risk Management</li> <li>• Metrics and Targets, considering wider reporting.</li> <li>• Strategy</li> </ul> <p>Comply or explain basis</p>
<b>Interaction with GGC framework</b>	Continue to apply GGC21-25 for emissions for Metrics and targets., in line with SRG	Continue to apply GGC21-25 emissions for Metrics and Targets, in line with SRG	Consider new GGC period for 25-30 (GGC21-25 runs until 31 March 2025 with the next commitment period for GGC25-30 starting on 1 April 2025)



# Annex C

## List of abbreviations

C.1 Please refer to Table 5.C (below) for a list of abbreviations used in this document.

**Table 5.C List of abbreviations**

ALB	Arm's-length Body
FCA	Financial Conduct Authority
FRAB	Financial Reporting Advisory Board
FReM	Government Financial Reporting Manual
FSB	Financial Stability Board
FTE	Full-time equivalents
GGCs	Greening Government Commitments
GHG	Greenhouse Gas
MPM	Managing Public Money
IPSASB	International Public Sector Accounting Standards Board
ISSB	International Sustainability Standards Board
ODP	Outcome Delivery Plan
SRG	Sustainability Reporting Guidance
TCFD	Task Force on Climate-related Financial Disclosure
ALB	Arm's-length Body

### **HM Treasury contacts**

This document can be downloaded from [www.gov.uk](http://www.gov.uk)

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