HM Treasury

Thematic Review on Sustainability Reporting

Contents

[1] GGCs - Greening Government Commitments

[2] ARAs – Annual Reports and Account

Executive Summary

Why this thematic review

Sustainability reporting is becoming increasingly vital in enhancing transparency, accountability, and resilience across the UK public sector. It supports preparedness for climate-related risks and ensures progress toward the government's environmental and sustainability commitments.

With significant changes to the internal and external sustainability reporting landscape, HM Treasury should assess the existing sustainability reporting framework for central government to consider whether to update any guidance.

Method

1. Assess recent sustainability reporting developments.
2. Evaluate current sustainability reporting practice across central government.
3. Evaluate current requirements against user's informational needs.
4. Consider whether changes are required to existing reporting requirements.

Summary findings

Some bodies report sustainability information beyond the GGCs[1]. There is strong support (66%) for reducing mandatory requirements by clearly separating mandatory vs. optional metrics. Views on publishing sustainability information outside ARAs[2] were mixed.

Executive Summary

Summary findings (continued)

Framework priorities from respondents included more consistency across government and the wider sector, more focused and proportionate ARA, adoption of standards (particularly ISSB[1]), and scaling requirements by organisation size.

Conclusion

While the GGCs have provided a useful framework for climate and environmental reporting, they do not fully meet user needs for broader sustainability information in ARAs, are often not aligned with internal KPIs[2], and are inconsistent with international frameworks.

HM Treasury plans to decouple the SRG[3] from the GGC framework, removing reporting on certain mandatory GGC environmental metrics. This allows for a greater focus on material issues, leading to more useful information for ARA users. The SRG will still mandate TCFD[4]-aligned disclosures (including on emissions) and key GGC metrics, alongside further principles-based sustainability reporting guidance.

With the sustainability reporting landscape evolving until late 2025 and TCFD[4] implementation ongoing, it is too soon to define a future public sector approach beyond the changes discussed above. However, there is a case for change for going further than existing sustainability reporting requirements which HM Treasury will explore, setting out a proposal for FRAB[5] in November 2025.

[1] ISSB – International Sustainability Standards Board
[2] KPIs – Key Performance Indicators
[3] SRG - Sustainability Reporting Guidance
[4] TCFD – Task Force on Climate-related Financial Disclosure
[5] FRAB – Financial Reporting Advisory Board

Background
Introduction

Background

International standard setters have recently developed new sustainability requirements or proposals – including the IFRS's Sustainability Standards[1] and IPSASB's Exposure Draft[2]. Regulators and legislators in the UK and overseas are setting mandatory sustainability and environmental reporting requirements for corporate annual reports.

Additionally, HMT must decide whether and how to incorporate Defra's new GGCs for 2025-30 (applying from 1 April 2025) into the SRG for 2025-26 - publication planned for July 2025.

HMT has mandated TCFD-aligned disclosure in central government ARAs in a three-year phased approach, culminating in 2025-26. This has changed the scope and remit of sustainability reporting, with a focus on material information and principal risks.

TCFD requirements are at odds with the GGC reporting approach which requires reporting compliance against all of its commitments, metrics and targets; focusing on estates and operations. A growing set of preparers are providing significant additional sustainability reporting information outside of the GGC remit (e.g., further Scope 3 GHG[3] emissions categories) and boundaries (e.g., international operations, wider sector).

Purpose (report users, contents, limitations)

This review is intended for use by officials, the FRAB and other relevant authority representatives.

[1] International Financial Reporting Standards (IFRS's) Sustainability Standards including: IFRS S1 and IFRS S2
[2] International Public Sector Accounting Standards Board's (IPSASB's) Sustainability Reporting Standards Climate Disclosures
[3] GHG - Greenhouse Gas

Background
The History

2006

Department targets set by the Sustainable Operations on Government Estate (SOGE) to reduce carbon emissions and improve efficiency

2010

HMT launch sustainability reporting within ARAs as a dry run for 2010-11 incorporating reporting on emissions, water and waste.

2012

SRG was then published as a separate document from 2011-12.

2014

Defra establish the GGCs to deliver sustainable operations and procurement. GGCs replace SOGE in 2014. Commitments are updated every (four to) five-years. The process is managed by Defra, with input from policy teams in OGDs. Defra publishes GGC16-20

2021

After pandemic related delays, Defra publishes updated GGC21-25. More commitments were added and the de-minimis thresholds are reduced from 250FTE[1] to 50FTE and from 1,000m^2 to 500m^2 floorspace.

[1] FTE – Full Time Equivalent

Background
The History

The introduction of Sustainability Reports

Before 2014-15, central government bodies were required to publish separate Sustainability Reports alongside their ARAs (example: Home Office, Nuclear Decommissioning Authority) following guidance published by HM Treasury.

Simplifying and Streamlining

In July 2014, the Simplifying and Streamlining Report[1] found that this approach was onerous, with preparers focusing on disclosures rather than embedding sustainability developments. The report recommended that the GGCs be used as a performance measure to track sustainable development, with certain high-level indicators (GHG emissions, waste, water consumption, and Procurement) set as minimum requirements. Most recommendations were implemented, with the SRG updated to align with the GGCs, and metrics updated for each commitment period.

Certain recommendation were not implemented, for example a mechanism for departments to report on a timelier basis on sustainable development measures outside of the constraints of the ARA process. The recommendation to remove certain policy related reporting requirements (e.g., rural proofing) was not implemented due to political interventions.

Updates to the GGCs

There have been multiple rounds of new GGCs – broadening the list of commitments, metrics and targets – that are now mandatory in the ARA.

[1] para. 4.24 to 4.26 in Simplifying and Streamlining https://www.gov.uk/government/consultations/central-government-annual-reports-and-accounts-consultation-on-simplifying-and-streamlining-the-presentation-of-annual-reports-and-accounts

Guidance
Sources of sustainability reporting requirements

Sustainability reporting requirements for central government ARAs are set out in:

SRG

- Mandated for central government departments, EAs[1] and NDPBs[2], but used by other public sector bodies in the absence of other sustainability reporting guidance and requirements.
- aligned closely with the GGCs, with additional voluntary reporting, and explanations of underlying frameworks (e.g., GHG Protocol), and key reporting concepts.

FReM[3]

- Applied by central government and used across the UK public sector as a benchmark to setting reporting requirements.
- Main channel for HM Treasury to set statutory requirements under the GRAA[4].
- Directs preparers to specific sustainability related guidance (e.g., SRG, TCFD-aligned disclosure) for further details.
- Sets government and UK public sector requirements and adopts best practice from the private sector. This includes:
  - UN SDGs
  - Director's Environmental Responsibilities

TCFD-aligned disclosure Application Guidance

- Sets out TCFD-aligned disclosure requirements which can be applied across the UK public sector
- Adapts and interprets private sector requirements in a UK public sector context
- Mandated application in central government, with voluntary reporting and phased implementation requirements across the wider public sector

PES[6] Paper

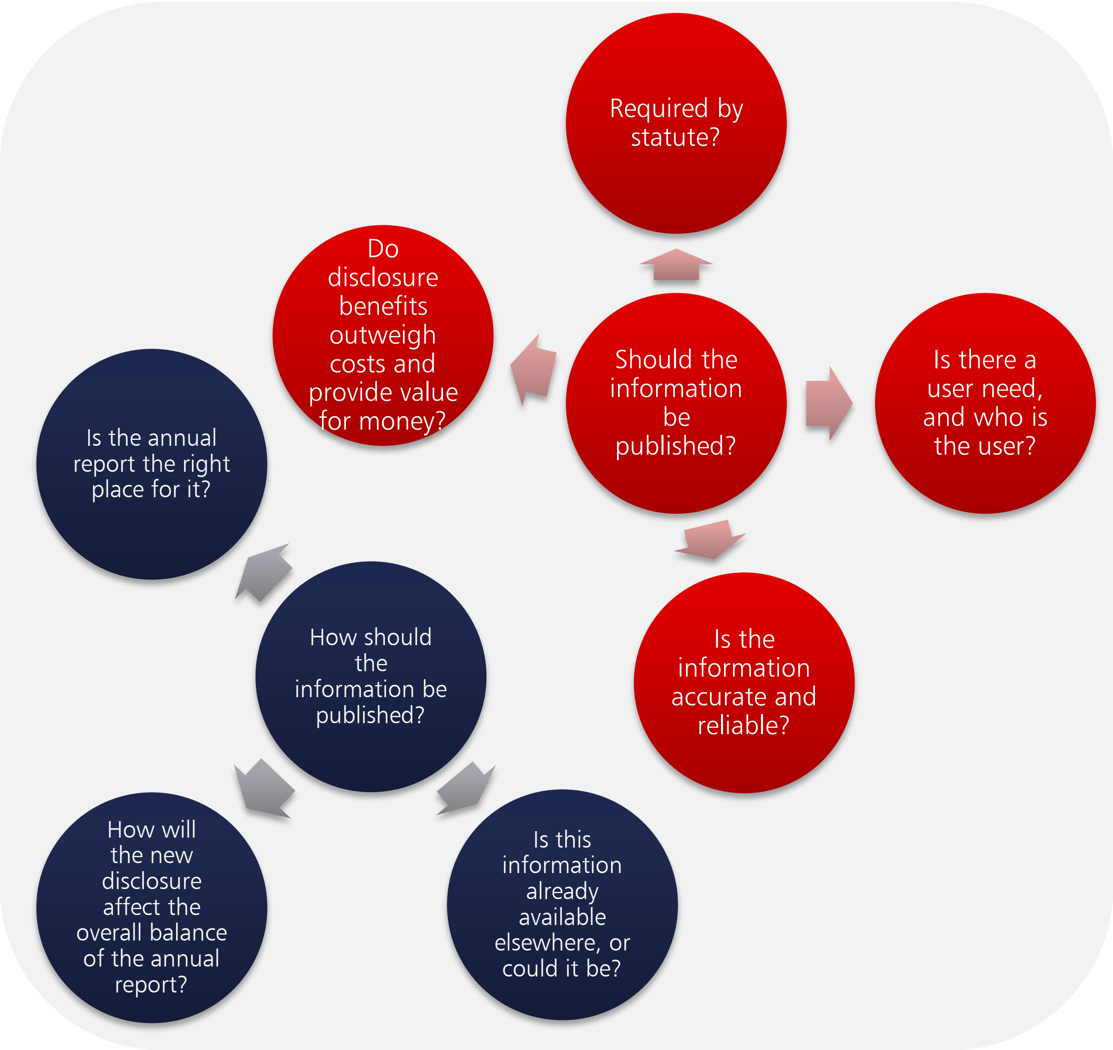
- Guidance on ARA preparation for departments
- Includes further reporting guidance on UN SDGs and Climate Change Adaptation and Rural Proofing

[1] EAs - Executive Agencies
[2] Non-Departmental Public Body
[3] FReM - Government Financial Reporting Manual
[4] Government Resource and Accounts Act 2000
[5] SDGs - Sustainable Development Goals
[6] PES - Public Expenditure System

Guidance
Setting central government requirements

Sustainability reporting requirements can be set:

- Directly via legislation (e.g., EU non-financial reporting directive on environmental protection, social responsibility, respect for human rights and diversity).
- Indirectly via legislation/regulation (e.g., Companies Act 2006 duty on directors to 'have regard to the impact of the company's operations on the community and the environment') – where its beneficial and seen as best practice[1].
- Government policy – including the Greening Government Commitments set by Defra, and other policies (e.g., international commitment on UN Sustainable Development Goals and connectivity of department performance).
- Adopting frameworks seen as best practice (e.g., TCFD-aligned disclosure in central government).



[1] The 'Views from Preparers and Users Section; outlines the perspective of users and our consideration of users views when setting sustainability reporting requirements

Guidance
HMT's Sustainability Reporting Guidance

aligns closely with the GGCs on mandatory metrics; with additional explanatory detail and further voluntary reporting (at a high-level).

is **published annually** – minor updates each year, with more significant changes incorporated when new commitments are set (with next due for 2025-26).

is **mandatory for central government** departments, agencies and NDPBs – unless exempted. Some relevant authorities, other government and public sector bodies choose to follow the SRG in full or in part.

The SRG for 2024-25 includes:

- An introduction and overview
- **GHG emissions reporting requirements** – guidance for mandatory reporting on Scope[1] 1 (direct), Scope 2 (indirect electricity) and Scope 3 (business travel) emissions. Includes background on the GHG Protocol and the reporting differences compared to the GGCs. Includes voluntary guidance on other emissions - including Scope 3 (value chain) categories.
- **Waste and water usage reporting requirements**
- Other policy reporting requirements on commitments and policy: Ultra-low/zero emissions car fleet, A4 paper usage, sustainable ICT policy, Climate Change Adaption Plan, Biodiversity Action Plan, Nature Recovery, Sustainable Procurement, Sustainable Construction.

[1] Refer to Annex 1 of this review for further details on the scopes used in the GHG Protocol

Reporting Landscape
International standard setters

IFRS Sustainability Standards

- IFRS S1 (General Sustainability Disclosures) and IFRS S2 (Climate Disclosures) effective from 1 January 2024.
- Aligned with TCFD and incorporate referenced frameworks (e.g., SASB[1] Standards, IR[1]).
- Next topics under development: Biodiversity, Ecosystems and Human Capital.
- Challenges for the public sector:
  - Enterprise value focus excludes wider policy levers (e.g., fiscal & statutory measures).
  - Market-driven approach may pre-empt policy decisions.
- While IFRS Ss consolidate some existing frameworks, new frameworks continue to emerge.

IPSASB Sustainability Reporting Standards

- Climate Exposure Draft (ED) published 31 Oct 2024 - adapts IFRS S2 for the public sector.
- Includes additional disclosures for public policy bodies with Climate-Related Public Policy Programmes (CR-PPPs).
- Our perceived challenges with the Exposure Draft (highlighted in HMT's response)
  - Limited scope for policy reporting, reducing usefulness for government users.
  - Close alignment with IFRS S2 leads to unbalanced and onerous sustainability reporting
- HMT has supported the exposure draft development via the Topical Working Group.

[1] SASB - Sustainability Accounting Standards Board and IR - Integrated Reporting
2 HMT's response to IPSASB consultations on the Climate Exposure Draft and whether to launch the sustainability project

Reporting Landscape
UK private sector regulation and other developments

UK Private Sector Developments

- Climate-related disclosures aligned with TCFD recommendations mandated since 2021.
- DBT[1] is endorsing IFRS-Ss into UK SRSs[2] with public consultation expected over summer 2025.

Other common UK Sustainability Frameworks & Regulations

- Global Reporting Initiative (GRI) applies impact materiality with a multi-stakeholder approach.
- Taskforce on Nature-related Financial Disclosures (TNFD) biodiversity and ecosystem impacts.
- Transition Plans Taskforce (TPT) for corporate net zero transition planning.

European Union's Corporate Sustainability Reporting Directive (CSRD)[3]

- Effective 1 January 2024, expanding sustainability reporting for large and listed companies.
- Phased implementation: 2025 (large companies), 2026 (all large entities), 2027 (listed SMEs).
- For 2025, the EU Commission plans to reform CSRD by cutting sustainability reporting burdens by 25-35%, especially for SMEs with: fewer reporting requirements, redefined SME criteria, and less frequent disclosures.
- Member States have not all ratified the requirements, and there are different views from member states.

[1] DBT - Department for Business Trade

[2] UK SRSs – UK Sustainability Reporting Standards

[3] The EU is the largest economic block to implement to a sustainability reporting regulation. Other countries and the wider global picture is less clear.

Greening Government Commitments
Overview

The GGCs outline actions for UK government bodies to reduce their environmental impact, improving the sustainability of their estates and operations. They support Defra's 25-Year Environment Plan goal of enhancing the environment within a generation.

Audience

GGCs apply only to departments, EAs, and NDPBs. Other frameworks and reporting channels are used across the devolved administrations, local government, and the public sector. As they are commitment-driven for specific central government policy areas, GGCs cannot be expandable in their current form across the sector.

Focus

- GGCs cover government estates and a subset of operations.
- They do not track sustainability impacts of strategic objectives or policy outcomes. These are covered separately in ARAs.

Different purpose and scope than ARAs, GGCs

- serve different users and objectives to ARAs.
- focus on selected commitments, rather than materiality-based sustainability reporting.
- involve selective tracking of programmes, with smaller initiatives included based on Defra's priorities (e.g., A4 paper use), but more significant information excluded or excepted to indicate compliance (e.g., CCRA[1], NAP[1] response, ARP[1]). This is often because the related information is aggregated and reported separately.

[1] CCRA - Climate Change Risk Assessment, NAP - National Adaption Program, ARP - Adaption Reporting Power
These climate risk assessments and responses are as a result of the statutory requirements from the Climate Change Act 2008.

Greening Government Commitments
Their Evolution

Commitment Area	2011–2015 *(set on 2009-10 baseline)*	2016–2020 *(set on 2009-10 baseline)*	2021–2025 *(set on 2017-18 baseline)*
GHG Emissions	Reduce overall GHG emissions, cut office emissions, publish real-time energy use, reduce domestic business flights.	Reduce GHG emissions and domestic business flights.	*(updated to Mitigating Climate Change)* Reduce GHG emissions, meet fleet targets (ultra-low emission vehicles), report emissions reduction policies, track domestic and international flight distances, update travel policies to prioritise lower-carbon options.
Waste Reduction	Reduce waste, cut paper use, require closed-loop recycled paper, ensure ICT reuse/recycling.	Reduce landfill waste, cut paper use.	*(updated to minimising Waste & Promoting Resource Efficiency)* Reduce total waste, increase recycling, eliminate consumer single-use plastics, report on food waste and reuse schemes, reduce paper use.
Water Consumption	Reduce water use, report office consumption vs best practice benchmarks, departments set targets for non-office use in water-stressed areas.	Departments set targets to improve reductions by 2014–15, report office use per FTE.	*(updated to Reducing Water Use)* Reduce water consumption, ensure all usage is measured, provide qualitative reporting on efficiency measures.
Sustainable Procurement	Buy sustainable, efficient products, engage suppliers to reduce supply chain impacts (initially focusing on carbon, water, and waste).	Continue sustainable procurement, ensure long-term value for money, report on Government Buying Standards compliance, supply chain efforts, and tracking tools.	Same as 2016–2020, with continued focus on sustainable procurement and impact tracking.
Beyond Targets	Demonstrate leadership in biodiversity, sustainable construction, food procurement, and climate adaptation. Promote staff wellbeing and volunteering.	Improve transparency, report per-FTE efficiency metrics (GHG, waste, water), pilot reporting in 2016–17.	*(updated to Being Open & Transparent)* Report on climate adaptation, biodiversity, sustainable procurement, and environmental impacts. Support biodiversity recovery, develop climate resilience plans, and reduce ICT and digital environmental impacts.

The table summarises updates to the GGCs. Full commitments and targets are available on on GOV.UK. GGCs for 2025–30 are not yet published and are therefore not included.

Greening Government Commitments
Alignment considerations for ARAs

Fixed five-year framework

- GGCs apply cross-government and may not align with or update for:
    - Organisation-specific sustainability risks and strategies
    - Changing government policies (e.g., estate centralisation into GPA)
    - External factors (e.g., geopolitical events like the Russia/Ukraine war)

Misalignment with ARAs

- **On spend** - while the SRG incorporates additional spend information alongside certain GGC metrics (e.g. expenditure on energy, water, waste) for comparability in ARAs, GGCs are set by Defra outside of the Spending Review. Their incorporation into department ODPs[2] is limited, with departments tending to focus on outcomes agreed with (and funded by) HMT.
- **On territorial boundaries** – GGCs apply national boundaries, whereas some departments have significant operations overseas which are not captured from a GGC perspective, but included in ARAs (e.g., MOD[3], FCDO[3]).
- **On control** – national/departmental accounts apply operational control to allocate items and transactions between reporting entities. This aligns accountability between the body controlling the asset (or responsible for liability), and reporting performance. The GHG Protocol also supports operational control and is the widely accepted emission accounting standard (by ISSB[4], IPSASB, in the UK private sector). For the GGCs, Defra applies specific allocation rules depending on the site occupancy/owner to simplify reporting and aggregation of GGC data.

[1] While the sustainability enabler was introduced to ODPs, and using GGC metrics was mentioned
[2] ODPs - Outcome Delivery Plans [3] MOD – Ministry of Defence, FCDO – Foreign, Commonwealth and Development Office
[4] ISSB – International Sustainability Standards Board. The standard setting board of the IFRS Foundation

Greening Government Commitments
Alignment considerations for ARAs

Summary of key differences

	GGCs	ARAs
Aims	To drive specific action on selected climate and environment commitments	To enable primary users to hold reporting entities to account on performance, provide transparency to the public, maintain a public record and support decision makers.
Reporting Channel	Primarily reported via quarterly returns, with information published by Defra in consolidated annual reports.	Reported annually in integrated reports.
Reporting Period	No statutory requirement to publish. Defra have published the GGC annual report intermittently with different time periods covered on GOV.UK.	Statutory requirement to publish by 31 January following the year end.
Users	No set users	Select Committees (and Parliament)
Purpose	Annual reports only focussed on GGC information	Integrated ARAs to compare performance-based information (including on sustainability), with the accounts. This allows primary users to make an effective assessment of overall performance.
Focus	Compliance against all GGC commitments, targets and sub-targets.	Material information for primary users or mandatory requirements.

Greening Government Commitments
Conclusion with respect to ARAs

Since their inception, the GGCs have provided an effective framework for environmental and climate reporting (and target setting), which in the absence of an international or cross-UK public sector framework or standard, have delivered comparable performance information.

Nevertheless, irreconcilable challenges exist with the GGC framework when considering whether to fully align requirements for sustainability reporting in ARAs, including:

- **Central government only** – other reporting (and target setting) frameworks exist across devolved administrations, local government and the rest of the UK public sector. This leads to a lack of comparability and consistency across the sector.
- **Focused on estate**, and **sub-set of operations** (e.g., UK only). Do not align with departmental delivery (i.e., Spending Reviews) or accountability channels set in financial reporting.
- **Intended for target setting** rather than reporting focused – they do not apply the same accounting principles and concepts (materiality, primary users, and control)
- **Different reporting purposes** – GGCs are focussed on specific government policies that may lack a separate consolidation and reporting process. Other key environmental priorities and reporting is often tackled under different reporting channels.
- **Separate reporting** – GGC data is published in a separate annual report, which consolidates returns from departments and their groups.

With external developments to the sustainability reporting landscape, there are now alternatives which may provide better comparability and consistency across the wider public sector.

Other reporting channels
UK public sector climate and emissions reporting

UK public sector emissions reporting guidance

DESNZ launched a project to develop public sector emissions monitoring and reporting guidance. This is to supports consistent reporting and net-zero alignment.

Research and evaluation phase

Assessed 16 frameworks (9 public, 7 private) via literature review and expert input.

Findings

Variation in public sector reporting (scope, targets, decarbonisation).

Challenges

- Inconsistent data, varying scopes, lack of standardised metrics.
- Effective frameworks enhance transparency, accountability, and emissions reduction.

Recommendations

- Unified guidance, capacity-building, and greater transparency. HMT will contribute to the development of any new guidance.

Other reporting channels
UK public sector reporting requirements

NHS (England)

- Track Scope 1, 2 and 3 (certain categories) GHG emissions (since 2008)
- Net zero targets of 2040 (for direct control) and 2045 (for influenced emissions)
- Integrated care boards and trusts must publish Green Plans, with annual reporting through the ERIC system.
- Wider sustainability KPIs included (water, waste, etc.).
- TCFD disclosures will be phased in from 2024-25 (Phase 1 and Phase 2).

Education

SCEF[1] supports FE[1] institutions benchmark emissions and develop reduction strategies. Not mandatory.

Local Government

No mandatory environmental reporting, but tools[2] support local authorities in calculating emissions. Many local authorities set net zero targets but face challenges (i.e., funding, resources).

[1] Department for Education's Standardised Carbon Emissions Framework (SCEF) for use by Further Education Colleges.
[2] Local Government Association supports local authorities to use SCATTER, a tool for measuring/reporting GHG emissions across energy, transport, and waste, allowing councils to build emissions inventories, benchmark performance, and develop strategies.

Other reporting channels
UK public sector reporting requirements

Scotland

- Mandatory reporting of Scope 1 and 2 emissions since 2015, with plans to increase reporting on Scope 3 emissions over time.
- The Sustainable Scotland Network supports consistent reporting, peer reviews. Use separate sustainability reports.

Wales

- Public sector bodies report emissions using a framework aligned with net zero targets by 2030.
- The system covers Scope 1, 2, and key Scope 3 categories.

Northern Ireland

- System for reporting and carbon budgeting for NI Government Departments is still under development with a view to commencing a standardised approach for 2025/26 FY reporting.
- 40 large-sized Public Bodies under The Climate Change (Reporting Bodies) Regulations (Northern Ireland) 2024 are required to report on climate change, including their greenhouse gas emissions and actions to reduce emissions, with first reports due October 2025 (mitigation) and March 2026 (adaptation).

Information has been drawn from DESNZ's research and development paper which analyses emissions reporting across the UK pubic sector.

Other reporting channels
Other climate and environmental frameworks

Various reporting channels are used for environmental and climate-related information – with different reporting purposes and boundaries. For example, this includes:

- The Climate Change Risk Assessment (every four years) with response in the National Adaption Programme. Statutory requirements under the Climate Change Act 2008.
- Adaptation Reporting Power (every five years) on central government and public sector (not departments) with a focus on key infrastructure, under the Climate Change Act 2008.
- Progress and thematic reports under different policy initiatives (e.g., Environmental Improvement Plan Annual Progress Report).

The TCFD-aligned disclosures Application Guidance leverages from these existing climate risk assessment and reporting frameworks and channels.

Evaluate current reporting practices

HM Treasury reviewed a sample of 2023-24 ARAs to:

1. assess whether preparers are meeting the existing requirements[1] and the quality of climate and environmental disclosures included
2. identify new and innovative reporting across central government and the wider sector
3. develop a Good Practice Guide[2] to support preparers continue to implement the TCFD and improve sustainability reporting overall

Key findings

- Almost all central government bodies correctly identified and incorporated Phase 1 Governance-related TCFD-aligned disclosures into their 2023-24 ARAs.
- The quality of TCFD-aligned disclosures vary with some bodies demonstrating full integration of climate-related thinking into their structure and processes, while others did not fully engaged with the framework and updated approach.
- Some departments and Arms-Length Bodies (ALBs) are choosing to provide a much broader view of sustainability for their organisation and its strategy, beyond the GGCs' metrics and commitments.

HMT has published a Good Practice Guide on GOV.UK with examples and practices to avoid to address issues and improve reporting in future periods.

[1] Climate and environmental reporting requirements from the FReM, SRG and TCFD Application Guidance

Views from prepares and users
Key takeaways from survey and discussion

- There is strong support for mandatory reporting requirements.
- Strong support (66%) for reducing mandatory SRG requirements by clearly separating mandatory vs. optional GGCs metrics.
- Mixed views on publishing some environmental and sustainability information separately from ARAs (36% support, 39% neutral, 25% against).

Top priorities for respondents in order of net support:

1. Consistency across the UK public sector
2. Alignment with international standards
3. Flexing requirements by organisation size
4. Alignment with GGCs, though full alignment with both international standards and UK public sector is not feasible.

Respondents:

- Expressed some agreement that new TCFD-aligned disclosures are sufficient
- Expressed strong support for ISSB alignment or alignment with other alternative frameworks.

User feedback:

- Preference for reporting sustainability information separately from ARAs, with only key figures and movements included in ARAs.
- Concerns that current reporting is too detailed, making it difficult to navigate.
- Strong preference for consistency across the UK public sector and scaling requirements to organisation size.
- Parliamentary unit affirmed their strong support for comparability across ARAs.

Detailed results from the stakeholder survey are included in Annex 2 of this review.

Conclusions
Key challenges

Challenges identified

- GGCs do not align with international frameworks or the wider public sector (e.g., emissions reporting methodology differs from the GHG Protocol), limiting consistency.
- Departments increasingly choosing to go beyond GGCs in ARAs.
- Sustainability reporting across the UK public sector lacks consistency, with varying approaches and levels of detail.
- While central government ARAs have expanded their sustainability reporting requirements, they do not always meet the needs of primary users or effectively support decision-making.
- In the private sector and internationally, new standards and regulations are being introduced to enhance the quality of sustainability reporting. There is a lack of comparability between these developments and the disclosures in ARAs.

Conclusion

With strong support for reducing mandatory SRG requirements in ARAs, particularly certain GGC reporting and other climate/environmental reporting requirements, HMT plans to streamline SRG related requirements and consolidate existing guidance more generally.

Based on the results of the thematic review, there is a strong case for change for sustainability reporting in terms of going further than existing requirements. This has been supported by the thematic review results. HMT will consider next steps while also monitoring other external developments in the private sector and by standard setters.

Conclusions
Next steps and future work

Future approach to sustainability reporting

- Many mandatory GGC reporting requirements will be removed, with the exception of emissions reporting and other key metrics.
- GGC emissions reporting remains a minimum requirement while awaiting DESNZ public sector emissions guidance[1].
- HMT will update the SRG (2025-26) to:
  - Remove outdated GGC reporting requirements.
  - Provide guidance on material sustainability KPIs for ARAs (including certain key GGC metrics where appropriate).
  - Simplify and consolidate sustainability reporting guidance wherever possible.

Public sector sustainability reporting exploration

- Monitoring of wider developments including UK SRS (public consultation expected summer 2025 and IPSASB Climate Disclosure Standards.
- HMT to consider governance arrangements for sustainability reporting oversight, and hold discussions with relevant authority representatives.
- Further engagement with FRAB and the Sustainability Subcommittee as part November 2025 meeting, where the Board will:
  - discuss the future sustainability reporting approach in central government.
  - explore the feasibility of a cross-UK public sector sustainability reporting framework.

[1] In 2024, DESNZ launched a project to [develop public sector emissions monitoring and reporting guidance]

HM Treasury

Annex 1

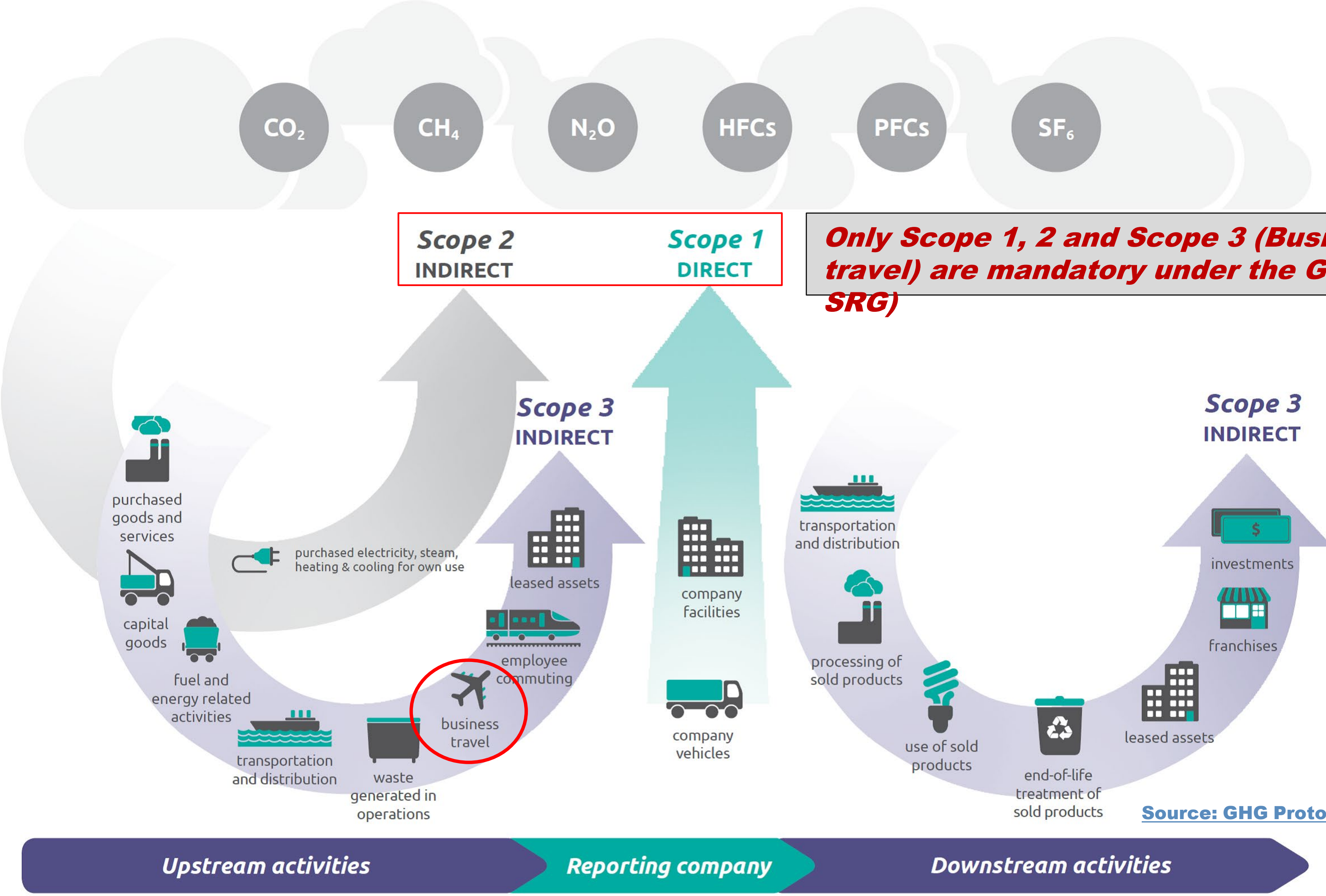
Supplementary information

Including:

Scope overview per the GHG Protocol

Extracts from previous ARA Reviews

GHG Protocol – Emission scopes



Only Scope 1, 2 and Scope 3 (Business travel) are mandatory under the GGCs (and SRG)

[Source: GHG Protocol Scope 3 Standard]

Simplifying and Streamlining
Key findings and recommendations

In July 2014, HMT published the Simplifying and Streamlining Report, reviewing ARA reporting practices and providing recommendations. This was followed by the Government Financial Reporting Review in April 2019. The findings from both reviews have informed this thematic review, with key summary conclusions included in this annex for reference.

Para. 2.4 The performance "telling the story" reporting requirement was proposed in order to meet user criticisms that ARA lack an overall narrative and are difficult to understand. HM Treasury's recommendation to address this problem was to introduce a number of high-level structural elements which aim to improve comparability across departments while providing flexibility for entities to tell their own story about their key activities and outcomes during the financial year.
These elements were:

- *Clear statement of the purpose and activities of the organisation;*
- *High level financial information with cross references to the audited accounts;*
- *Trend information based upon segmental/management information data;*
- *Commentary against trends and performance against policy; and*
- *Expected future policy changes*

<u>Performance overview (para. 4.4)</u>
HM Treasury proposes that this will be a short-focussed section that will in no more than 10 to 15 pages provide the user with:

- Minister/Chief Executive statement;
- Statement of the purpose and activities of the organisation;
- Key issues that affect the entity in delivering its objectives; and
- Performance summary.

Simplifying and Streamlining
Key findings and recommendations

Simplifying and Streamlining (S&S) (para. 4.24-4.26) made the following recommendation for the position of sustainability reporting in 'new ARAs':

The current reporting framework is onerous and leads to departments focussing on meeting disclosure requirements rather than embedding sustainable development. As noted Government is committed to mainstreaming sustainable development and there are also certain targets placed on entities that have to be met. These include the GGCs.

Under the proposed framework, it is expected that performance on sustainable development will be included in the ARA as a key performance measure that the department measures itself against and/or in the manner in which sustainable development is embedded in other performance measures. There will, however, also be a minimum requirement set for reporting on certain high-level indicators that form the basis of the GGCs. This will align with compulsory requirements for certain private sector entities to now report on GHG emissions but will have a wider scope to include: GHG emissions; Waste; Water consumption; and Procurement.

Where measures change under any new GGCs, mandatory reporting requirements will also be amended. This approach means that the standalone HMT sustainability report will no longer be required as part of the ARA, although entities will be free to include such a document within the ARA should they wish to do so. HMT will work with other government departments to develop an appropriate online mechanism by which departments will be able to report in further detail and on a timelier basis on sustainable development measures outside of the constraints of the ARA process.

Government Financial Reporting Review
Key takeaways

GFRR there is a natural tendency to dwell on achievements and overlook problems. This temptation is self-defeating, as those reading an overly positive report are likely to react with scepticism

Para. 6.14 4 'Simplifying and streamlining' also recommended that departments include a commentary against trends and performance against policy. This narrative is important in giving context to the information presented and explaining how a department has performed. This recommendation is generally being met, and there are a variety of ways that the information is presented.

Para. 6.21 '1 A key principle of 'Simplifying and streamlining' was the emphasis on reporting being tailored to the individual entity with less focus on generic reporting requirements.

Para. 3.14 Accounting officers must confirm, for example, that the annual reports and accounts that they are responsible for are 'fair, balanced, and understandable

Para. 6.12 Departments should include trend data when they share information in their performance reports. Progress against this recommendation is mixed, with some departments reporting a range of trend information while others do not include any.

Para. 6.10 Departments should include enough graphics to inform the reader, but not so many as to confuse, and should look to present financial information in a clear and accessible way, using diagrams and graphs where appropriate.

Para. 6.6 6 The purpose of the performance report is to give the user a summary that provides them with sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

Para. 7.42 Feedback from users in Parliament and elsewhere encourages departments in their use of graphics to break up narrative reporting into more manageable sections and to help users understand how different elements of their financial reports fit together.

Refer to the GFR Review for further details.

HM Treasury

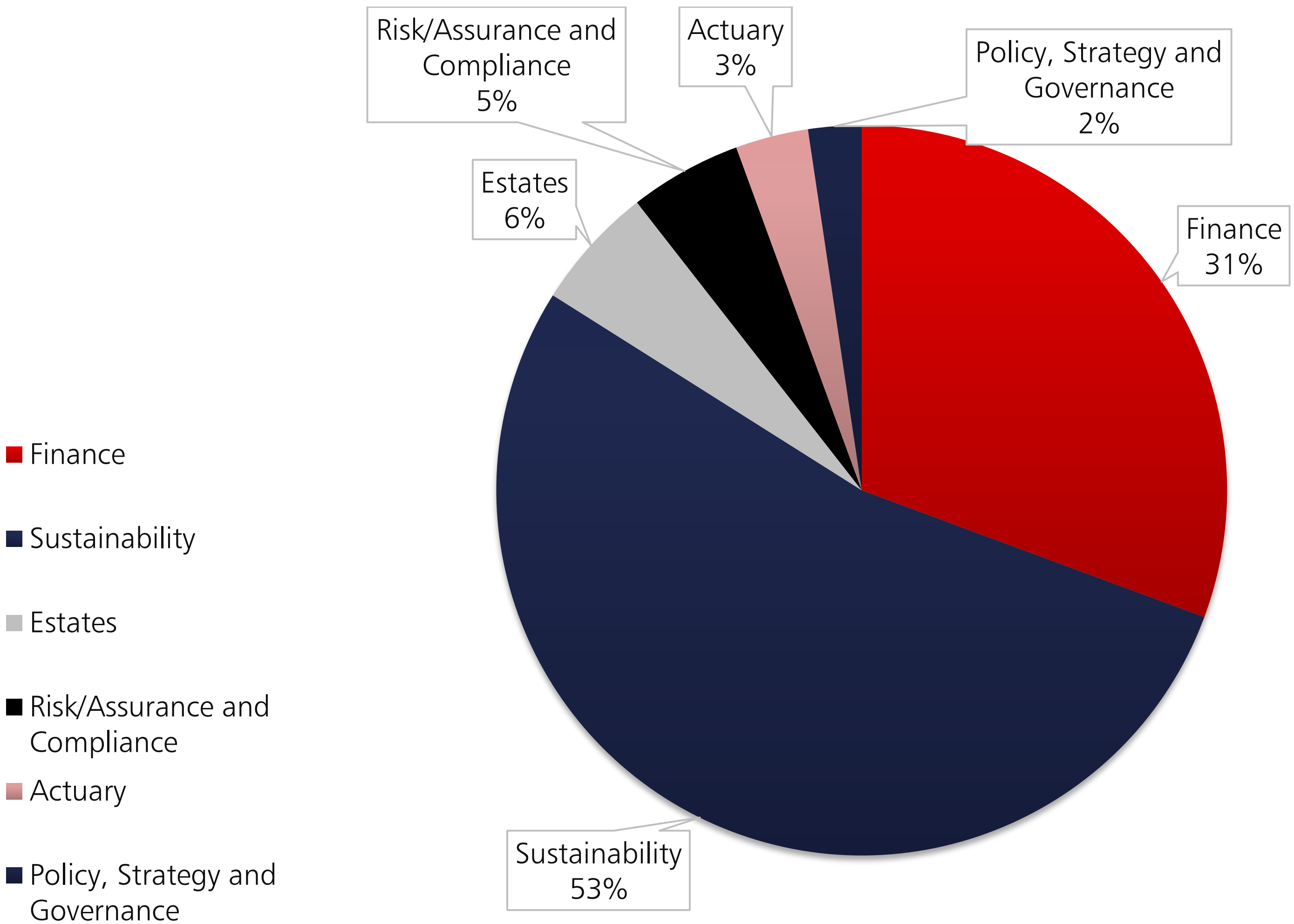
Annex 2

Detailed stakeholder feedback

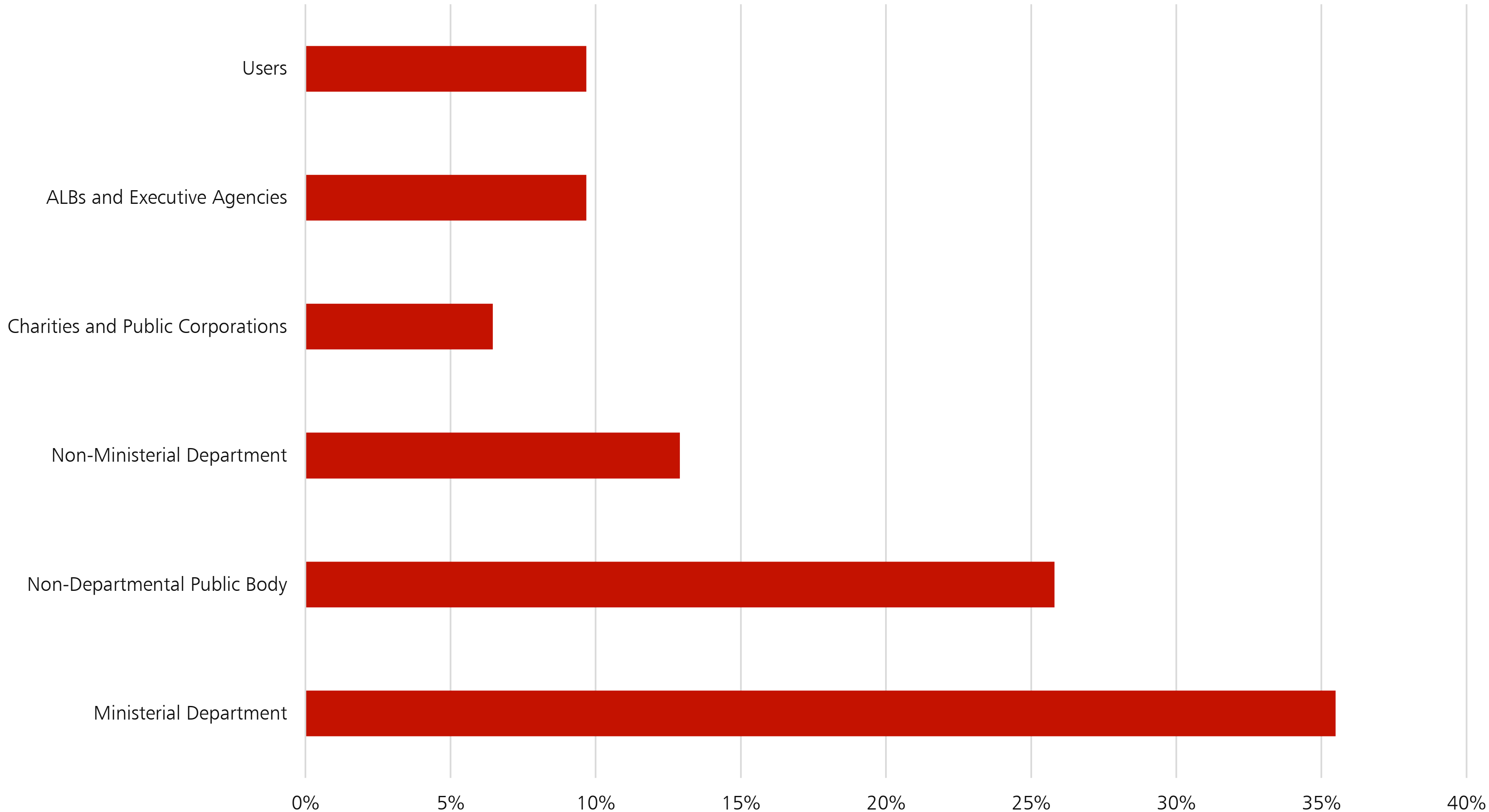
Including:

Results from the preparer and user sustainability reporting survey

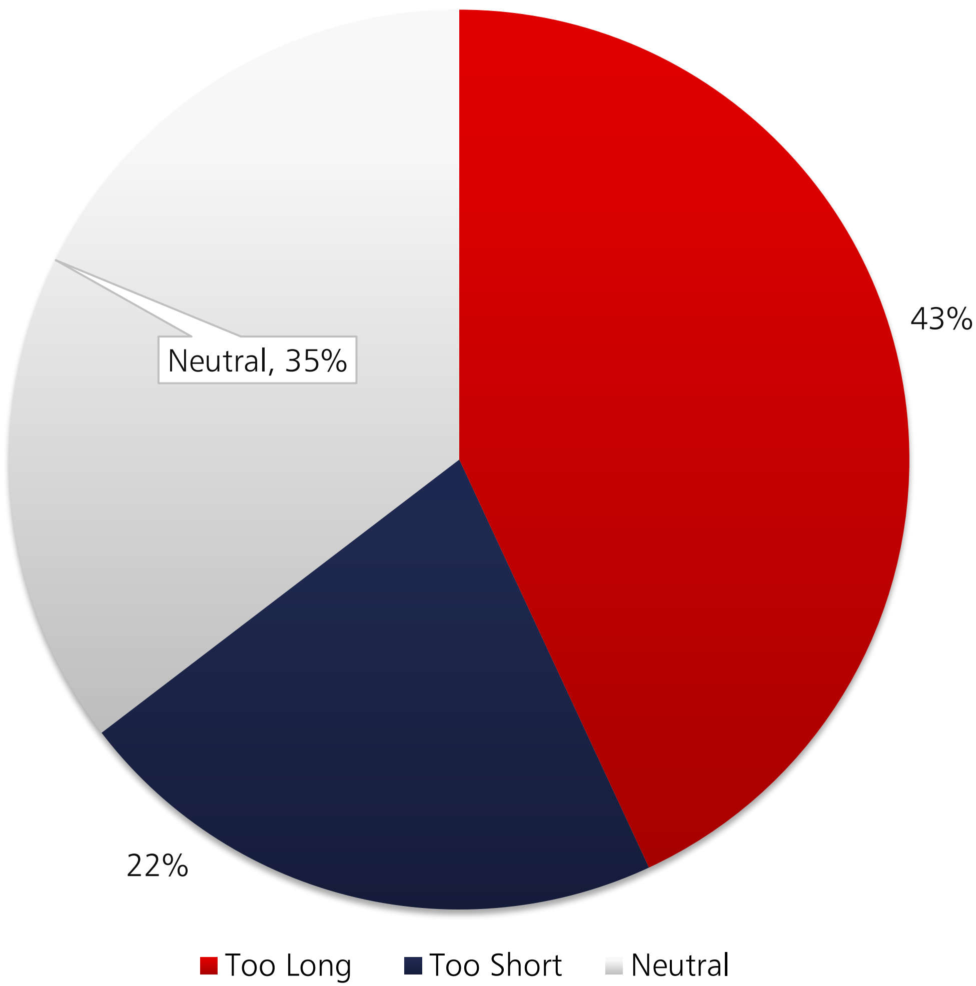
Breakdown of survey respondents by function



Breakdown of survey respondents by type



Survey feedback on
The length of sustainability reporting in ARAs



Survey feedback on
Challenges facing preparers

● Significant impact ● Some impact ● Minimal impact ● No impact or not applicable

Timeliness - data isn't available in time to meet existing reporting deadlines (published by 30 June following year-end)

Data quality - there are confidence issues over the sustainability data received

Data granularity - compliance with disclosure requirements is difficult based on the data received

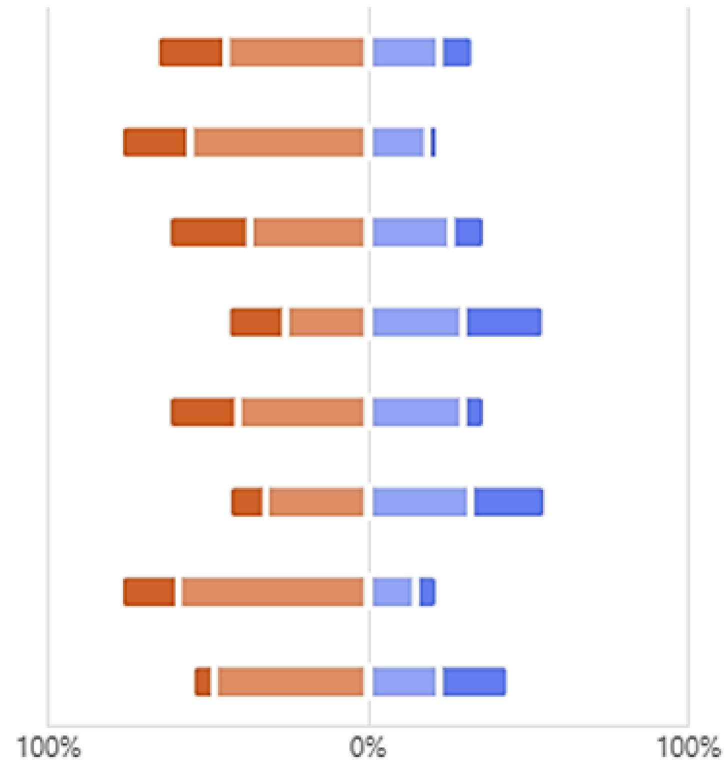
Capacity and expertise -insufficient resource or expertise to produce high-quality sustainability reports

Data gaps and reliability -organisations lack the systems or expertise to collect reliable sustainability data

Sectoral differences -requirements vary across the wider public sector, making it challenging to establish uniform metrics

Evolving requirements - the regulatory landscape for sustainability reporting is rapidly changing

Limited assurance -Sustainability Reports lack independent assurance, which can undermine trust and credibility.



Survey feedback on the rationale for including Sustainability information in ARAs

● Highly important ● Somewhat important ● Minimal importance ● Not important

Accountability and transparency - ensures accountability to Parliament over performance, and transparency to the taxpayer

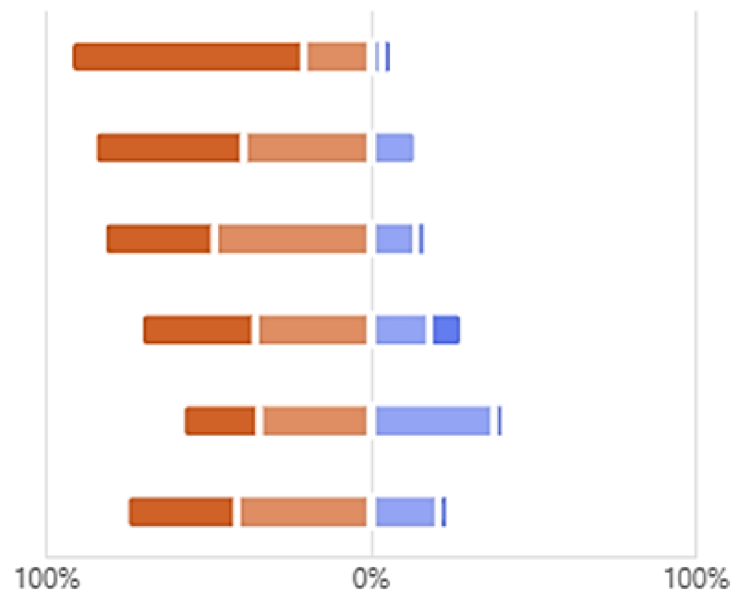
Informing decision-making - provides evidence for policy and operational decisions

Ethical duty for environmental stewardship - minimise adverse environmental and sustainability impacts.

Supporting GGC delivery - driving progress on the Greening Government Commitment and related targets.

Supporting wider objectives - driving progress and reporting on other goals and commitments

Building awareness and driving change - raises awareness within the organisation and encourages behavioural change.



Survey feedback on the rationale for including Emissions information in ARAs

● Highly important ● Somewhat important ● Minimal importance ● Not important

Accountability and transparency - ensures accountability to Parliament on performance and transparency to the taxpayer

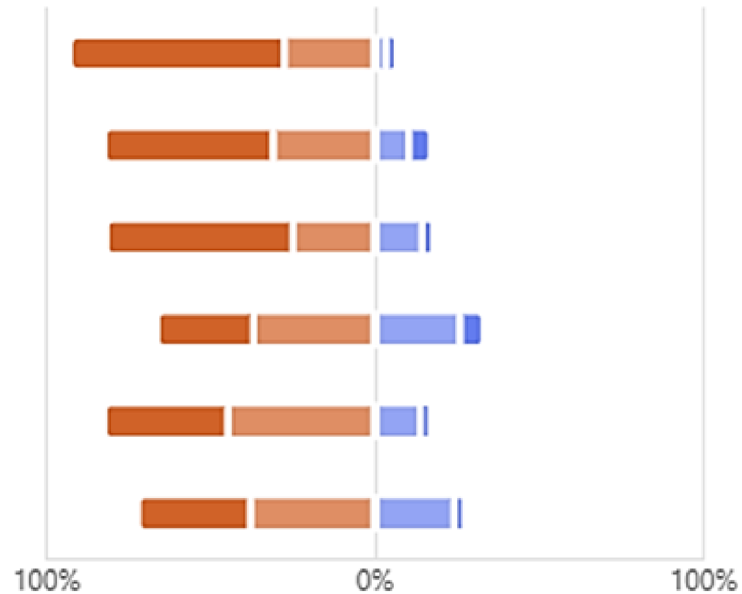
Informing decision-making - provides evidence for policy and operational decisions to reduce emissions

Supporting the UK's statutory Net Zero Goal - demonstrates the organisation's contribution

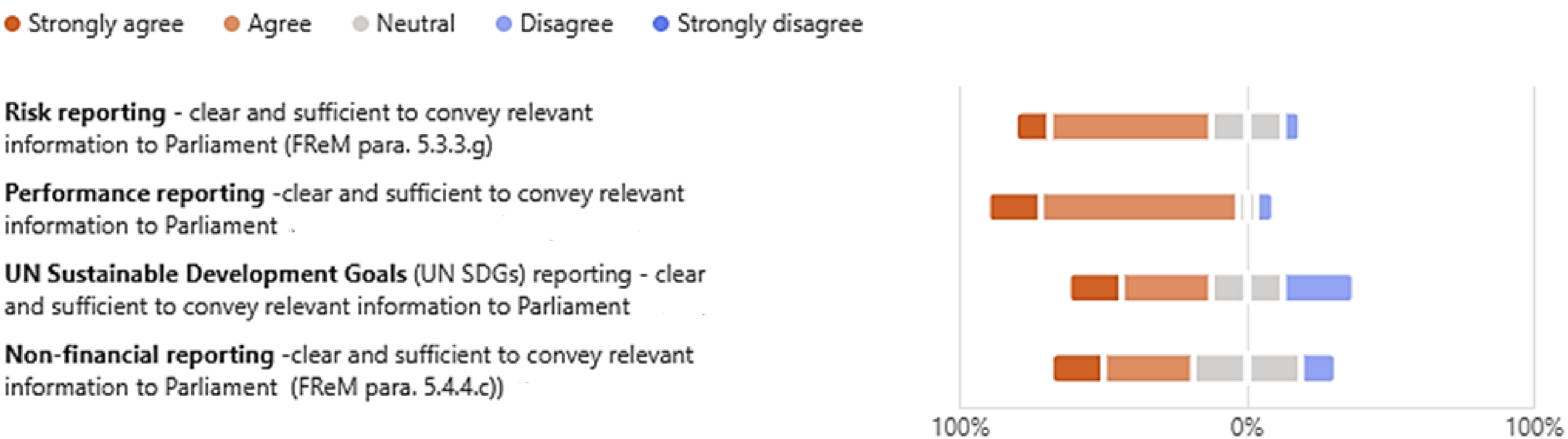
Supporting GGC delivery - driving progress on the Greening Government Commitment and related targets.

Ethical duty to reduce emissions - minimise emissions and contribute positively to combating climate change

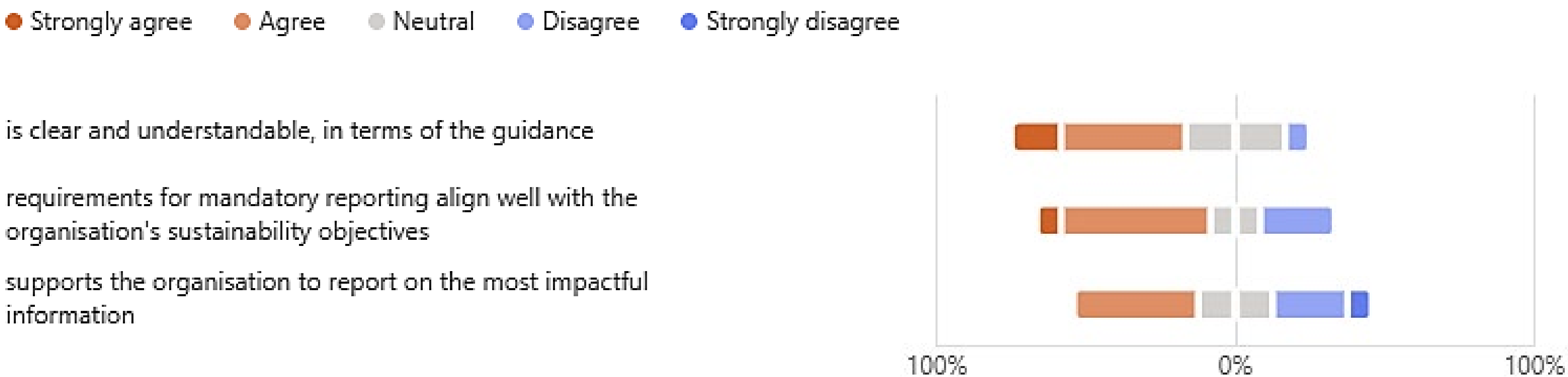
Building awareness and driving change - raises awareness within the organisation and encourages behavioural change.



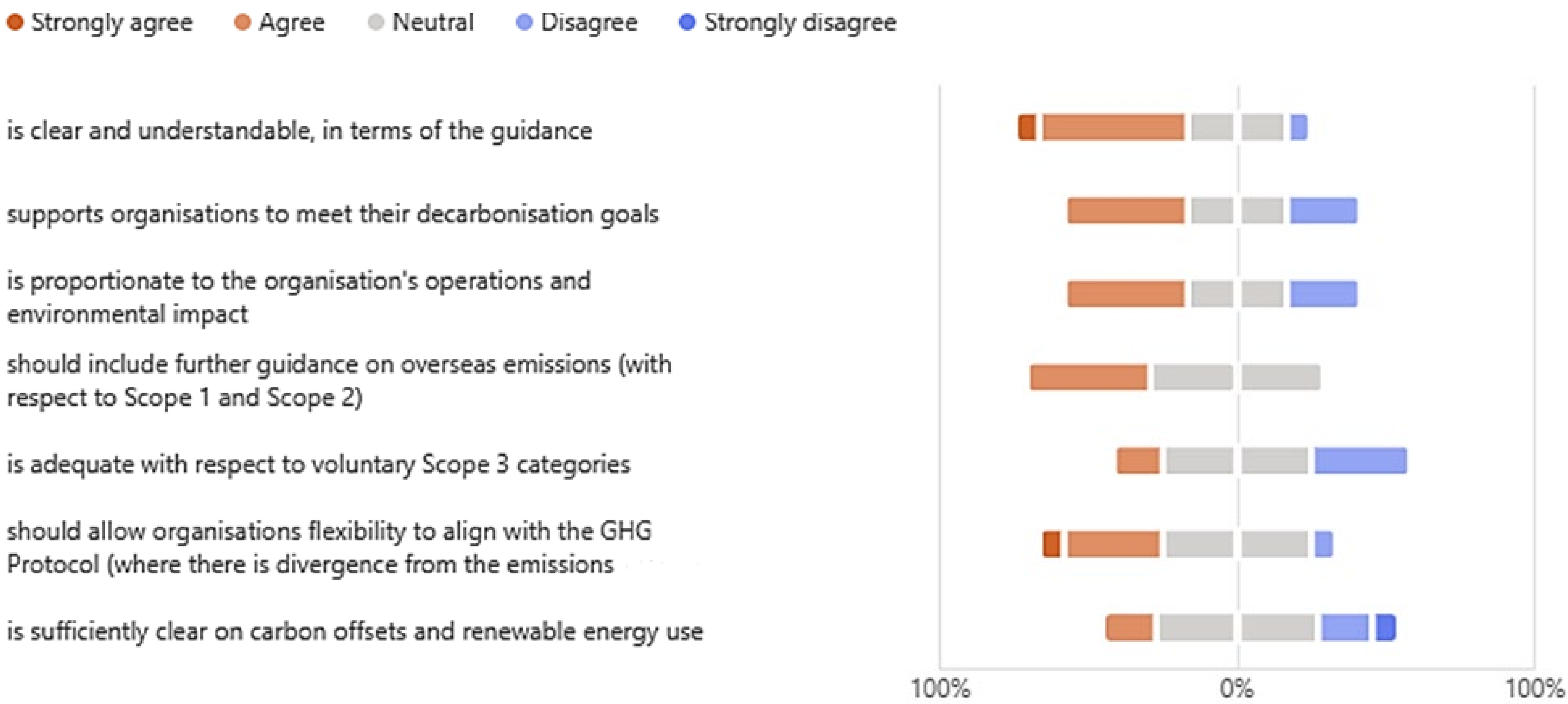
Survey feedback on the effectiveness of Performance reporting guidance



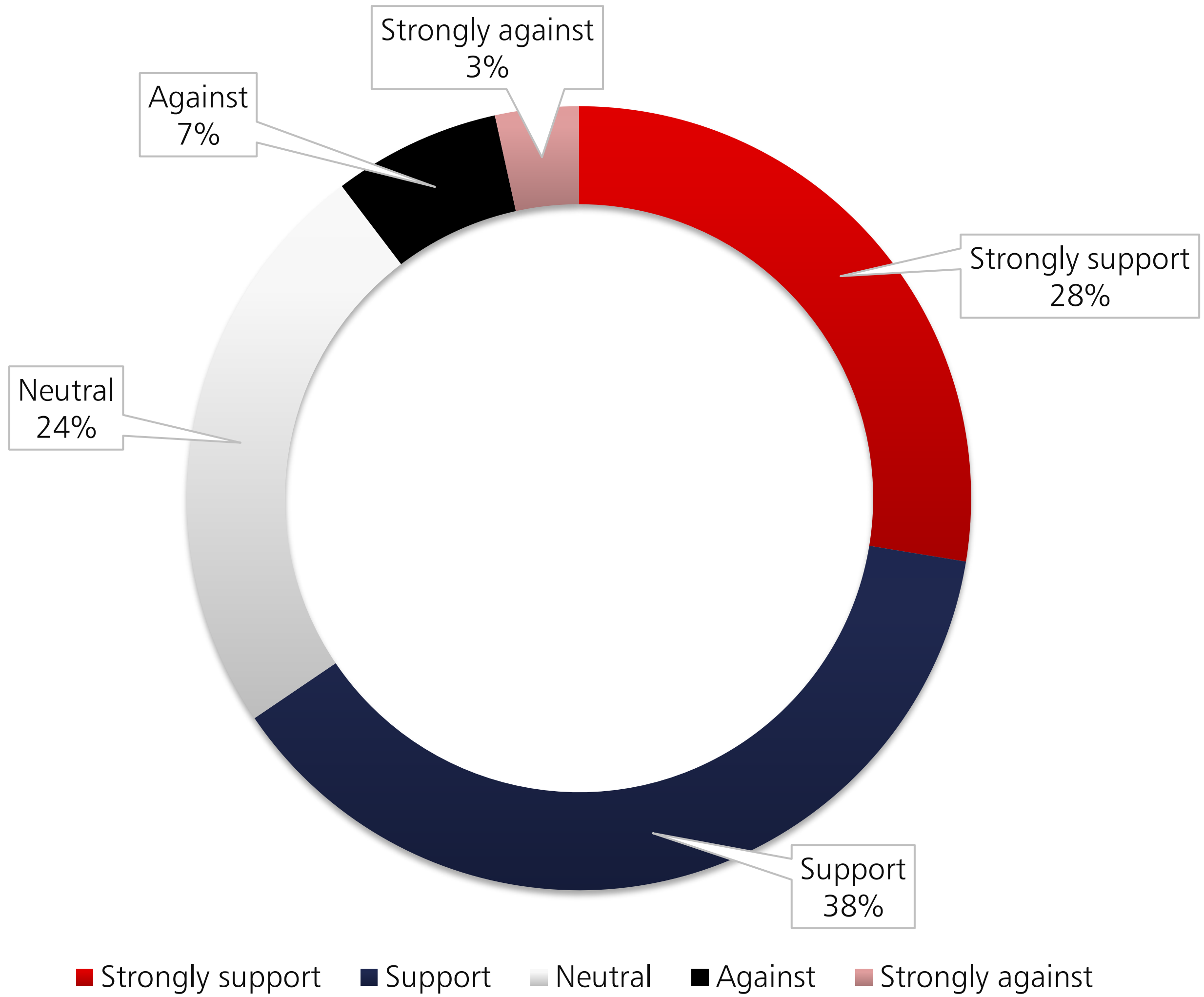
Survey feedback on the effectiveness of The SRG overall



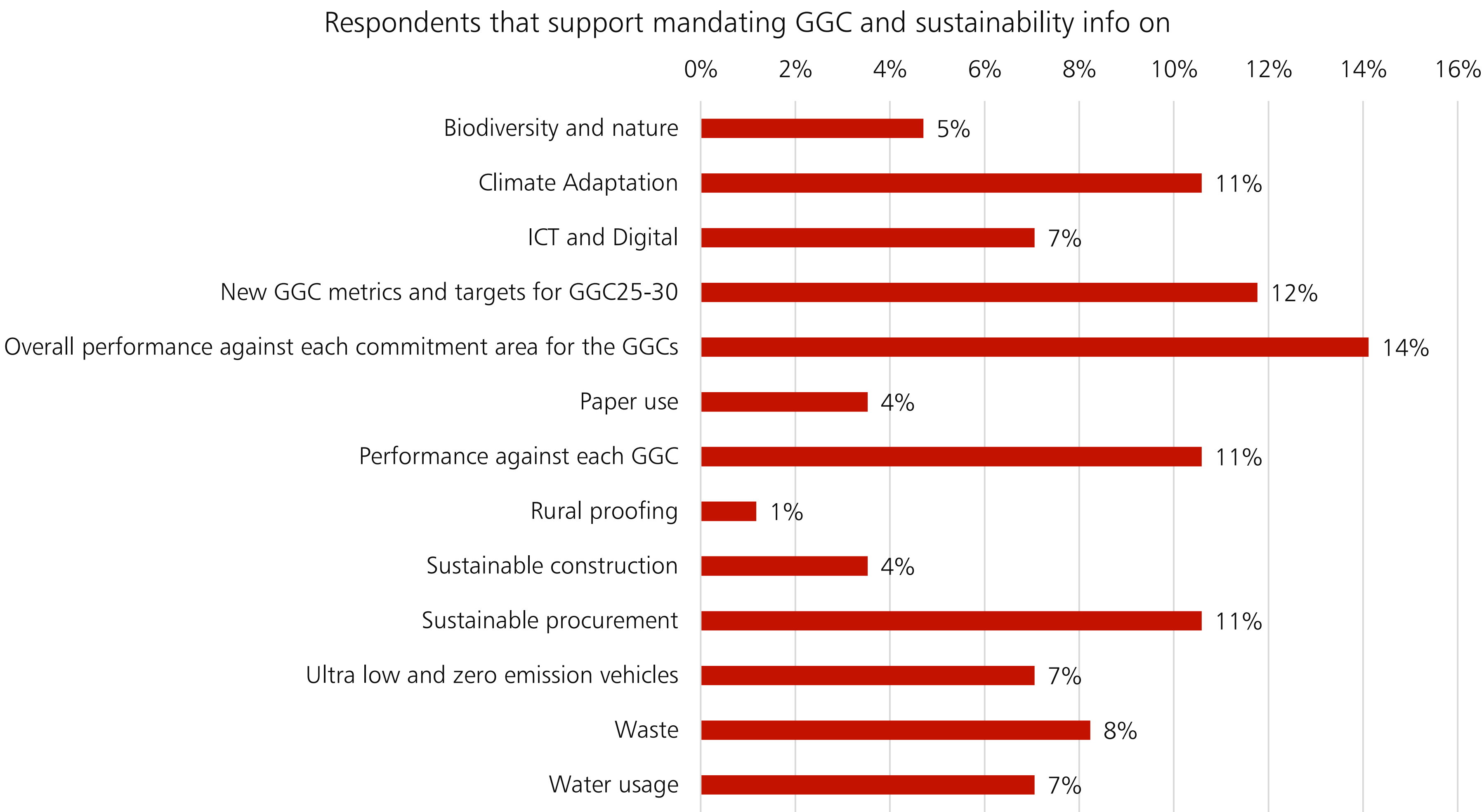
Survey feedback on the effectiveness of The GHG emissions guidance in the SRG



Survey feedback that supports
Reducing the mandatory SRG requirements



Survey feedback that supports
Mandatory sustainability and GGC requirement on...



Survey feedback that supports
Advancing sustainability reporting in ARAs by…

● Strongly agree ● Agree ● Neutral ● Disagree ● Strongly disagree

Immediate - UK public sector sustainability standards should be developed and adopted in the next two years

Delay - UK public sector sustainability standards should be developed and adopted in the next five years

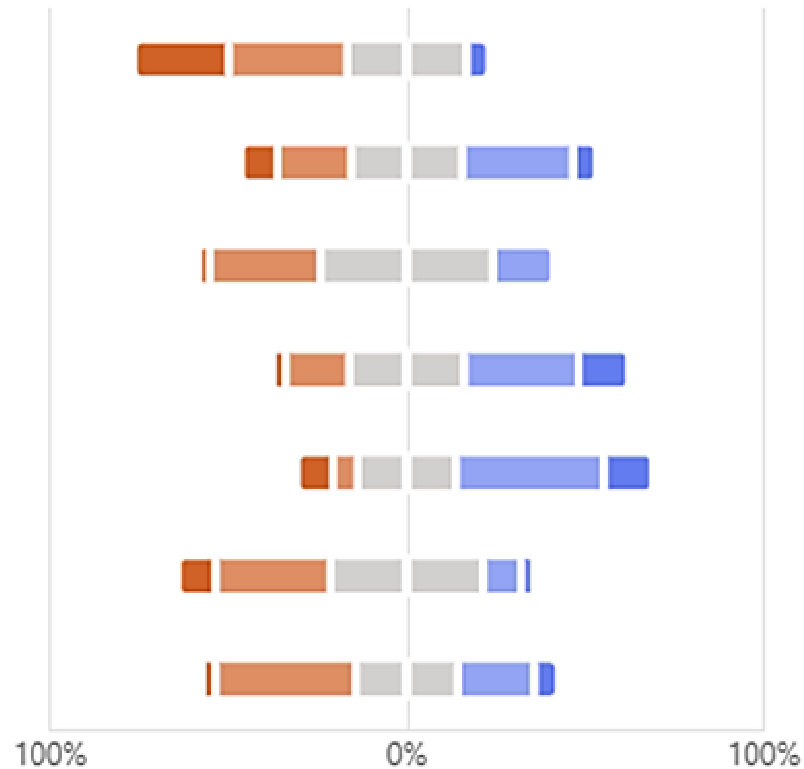
Enough - new TCFD-aligned disclosures and existing sustainability and environmental reporting is sufficient

Independent exploration - my organisation is actively considering other frameworks and standards to adopt voluntary

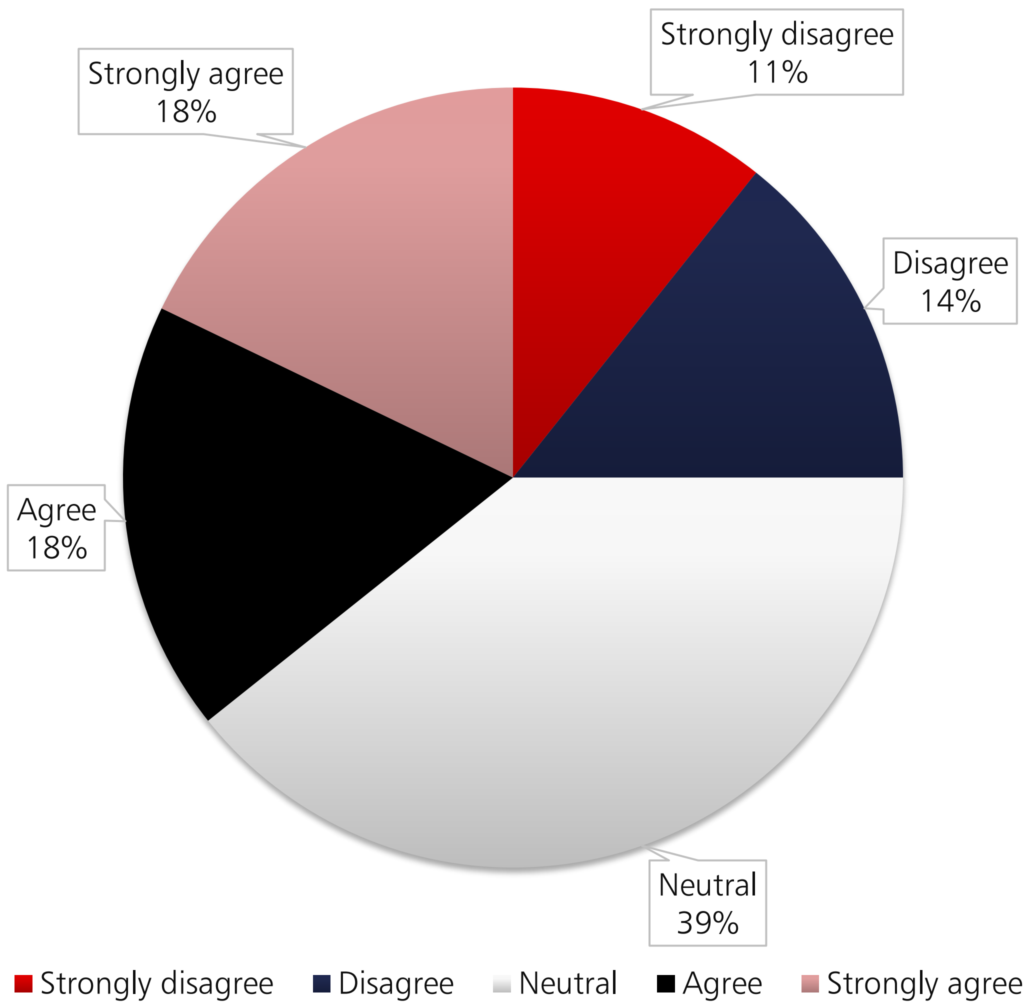
Too much - existing sustainability and environmental-related information in annual reports and accounts is already too much

ISSB alignment - adopting IFRS's Sustainability Standards is very important

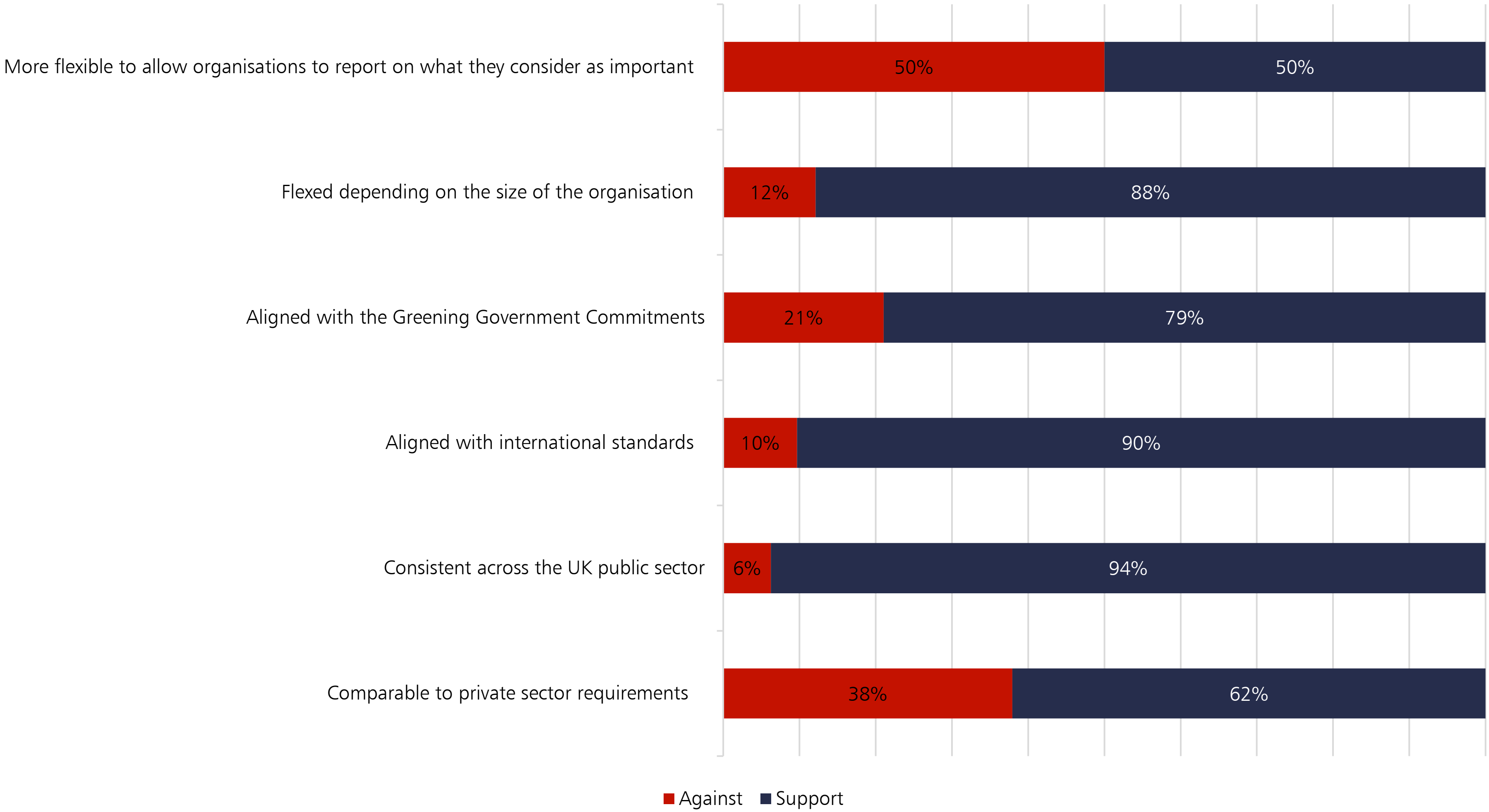
Alternative standards and frameworks - other sustainability standards and frameworks



Survey feedback that supports
Sustainability elements to be published separately



Survey feedback on
Central government sustainability reporting



Interviews and detailed survey responses
Themes and qualitative responses

Key issues

- Data quality and availability - inconsistent metrics, reliance on third-party data (GPA), and data received in arrears.
- Timing and assurance constraints - tight deadlines, lack of structured assurance, and insufficient resources.
- Organisational barriers - Finance teams lack sustainability expertise; leadership engagement is low.
- Framework complexity - TCFD, GGCs, and multiple reporting models create inconsistencies.
- ARA usability - growing complexity makes disclosures harder to navigate.