Financial Reporting Advisory Board
Sustainability Reporting Update

Issue:	This paper updates FRAB on sustainability reporting, including progress with Task Force on Climate-related Financial Disclosures (TCFD) implementation and recent developments in the wider sustainability reporting landscape. It also sets out HM Treasury's initial proposals for the governance of the FRAB Sustainability Subcommittee.
Impact on guidance:	N/A – no new reporting guidance is set out in the paper.
IAS/IFRS adaptation?	No IAS/IFRS adaptations are proposed in this paper.
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public sector context?	N/A
Impact on budgetary and Estimates regimes?	N/A
Alignment with National Accounts	N/A
Recommendation:	The Board is invited to note the update on sustainability reporting, including progress on TCFD implementation and wider developments in the sustainability reporting landscape. Board members with strong views on the early plans should discuss with HM Treasury separately for consideration in future development. HM Treasury will return to the Board in November 2026 with draft Terms of Reference for approval.
Timing:	N/A

1. This paper updates FRAB on progress with TCFD implementation and on wider developments since the Board's March 2026 meeting. At that meeting, the Board agreed to prioritise embedding and improving TCFD, to adopt a "wait and see" approach to emerging standards, and endorsed a hybrid governance model (central coordination with topic-specific expertise) for establishing a FRAB Sustainability Subcommittee (FRAB-SSC)- see FRAB 158 (06).

TCFD implementation update

2. As central government bodies begin laying 2025–26 Annual Reports and Accounts (ARAs), TCFD-aligned reporting advances to more complex quantitative Strategy disclosures for the most impacted bodies, alongside a comply-or-explain, materiality-led approach to wider environmental reporting.

3. This is the third and final year of the phased TCFD implementation approach in central government. No major departments or large Arm's Length Bodies (ALBs) have published their 2025-26 ARAs as of the date of this paper.
4. To support preparers with TCFD implementation, HM Treasury has uploaded a training video to OneFinance, to go alongside the 2024-25 TCFD Good Practice Guide. HM Treasury has also been working with partners – the Government Actuary Department and the Government Finance Function - to support preparers with supplementary guidance on Metrics and Targets and scenario analysis under Strategy c).

NAO Study on TCFD implementation

5. Following the NAO's Value for Money study on TCFD implementation (refer to A10-11 in FRAB 158 (06)), HM Treasury plans to accept recommendations a) and c), and partially accepted recommendation b). Please see the NAO tracker for further details on implementation progress going forward.

Other sustainability reporting updates

6. The wider sustainability reporting landscape is largely unchanged: the Financial Conduct Authority (FCA) is expected to publish a policy paper on its recent UK Sustainability Reporting Standards (SRS) consultation in autumn. IPSASB continues developing its approach to public-sector sustainability reporting (IPSAS SRS1).

IPSASB SRS update

7. IPSASB is finalising a new standard on Climate-related Disclosures for Public Policy Outcomes, with substantive changes agreed at its March and scheduled for June 2026 meetings.
8. The most significant development is a scope clarification: the requirement for a policy to have a "primary objective" of achieving climate-related outcomes has been removed, meaning the standard now applies to all public policies with material climate-related outcomes — not just those explicitly designed as climate policies. This directly addresses concerns about greenwashing risk and ensures policies with significant negative climate impacts are captured. Terminology has been updated accordingly, with "public policy programs" replaced by "public policies", a new defined term "climate-related outcomes" introduced (anchored in UNFCCC mitigation and adaptation concepts), and explicit recognition that both positive and negative outcomes must be reported.
9. On strategy and financial implications, the standard now requires disclosure of how entities are resourcing activities to achieve climate-related targets, alongside the financial implications of climate-related outcomes for other parties in the jurisdiction. Where responsibility for a policy is shared across entities, at least one must provide disclosures, with the roles of others clearly set out. IPSASB has retained the TCFD four-pillar framework (Governance, Strategy, Risk and Outcome Management, Metrics and Targets) and the same Conceptual Foundations and General Requirements as SRS 1, ensuring consistency across the suite of standards.
10. On metrics and greenhouse gas attribution — a key concern from respondents given data limitations and the difficulty of attributing emissions to specific policies — proportionality mechanisms have been introduced, mirroring the approach taken in IFRS S2 and SRS 1 for climate scenario analysis. Entities may provide qualitative-only disclosures where quantification is not feasible without undue cost or effort, or where measurement uncertainty is too high. Transitional relief provisions for certain disclosures are to be addressed at a future meeting.

Sustainability Reporting Guidance

11. The Greening Government Commitments (GGCs) remain unpublished at the date of this paper, including both formalised targets for the 2025-30 commitment period and the new metrics.
12. HM Treasury is consulting cross-government policy leads (Defra, DESNZ) and subject matter experts (including the Chief Sustainability Officers) on the updated 2026–27 Sustainability Reporting Guidance (SRG) ahead of final clearance and publication (expected summer 2026). The update is intended to be light touch, compared with last year's more substantial revision following the sustainability thematic review and the refocus on a subset of core metrics and the application of materiality judgements to other considerations. If necessary, this may include supplementary guidance for reporting on targets in the absence of confirmed GGC targets at the publication date.

Sustainability Subcommittee

13. This section sets out HM Treasury's early plans for the Subcommittee. Once formalised, these proposals will be subject to Board views and formal approval in November before the Subcommittee is established. Before drafting the Terms of Reference, HM Treasury will consult stakeholders, including members of the previous FRAB-SSC, so the proposals below may change. At this early stage, members with strong views on the proposed approach are invited to share them with HM Treasury to inform further development.
14. In the March 2026 FRAB meeting, FRAB agreed the direction of travel for governance: a mixed (hybrid) subcommittee, using broadly the same representative groupings as FRAB (preparers, users, auditors, relevant authorities, independents), supplemented by additional expertise as needed. The subcommittee would operate under FRAB's authority, with FRAB retaining final advisory responsibility. In November 2026, HM Treasury will invite FRAB's views on Terms of Reference, including the objective, purpose and remit.
15. If the FRAB-SSC is to consider broader reporting matters (e.g., assessing the effectiveness of public policy and outcomes, impact materiality, or topical standards), it will require a wider range of expertise and representation. FRAB should retain its statutory advisory authority over central government accounts under the Government Resources and Accounts Act 2000. FRAB is also well placed to set requirements that support a single, integrated ARA, with Parliament as the primary user.

Purpose and remit

16. Define the FRAB-SSC remit narrowly enough to preserve FRAB's statutory advisory role and avoid duplication with policy/operational reporting channels or guidance, but broadly enough to cover the sustainability reporting topics that affect public sector annual reports and accounts (ARAs) and the credibility of published disclosures.
17. The previous incarnation of FRAB-SSC focused on financial reporting matters related to climate change, and on advising FRAB on wider public-sector sustainability reporting – refer to Appendix 1 of FRAB 145 (16). This approach aligned closely with the purpose and remit of FRAB, and its financial reporting expertise – with the TCFD framework being firmly anchored in financial risks.
18. However, the purpose of government and the public sector—and the risks they face—mean that a broader set of considerations will often be relevant than in the private sector, where the focus is on maximising enterprise value. This view is reflected in the boundaries and considerations for risks and strategies set out in the TCFD Application Guidance and its supporting appendix.
19. Standard setters are taking different approaches to these issues. IPSASB's SRS 1 (Part 2, currently in development) proposes reporting on public policy and its impacts and outcomes

as an integral part of sustainability reporting in General Purpose Financial Reports, linked to financial sustainability. Global Reporting Initiative (GRI) takes a conceptually different approach through impact materiality, requiring entities to identify and disclose significant effects on the economy, environment and people, whether or not those effects are financially material to the reporting entity. This gives GRI a broader stakeholder-facing scope than purely financial reporting frameworks, but differs from IPSASB's public-sector framing, where accountability for policy outcomes is treated as an inherent reporting obligation.

20. Based on the Board's decisions for TCFD, HM Treasury intends for SSC to adopt a similarly broad remit when advising on disclosures relating to public policies with climate-related outcomes in the front half of the ARA — covering performance and accountability reporting, and not limited to a narrow financial materiality lens. HM Treasury initially plans to position the SSC as a technical advisory body to FRAB focused on (a) oversight, consolidation, and quality improvement of sustainability disclosures in ARAs (initially TCFD-aligned), and (b) horizon-scanning and assessment of emerging sustainability standards only insofar as they may drive future changes to public sector reporting requirements. The Subcommittee's primary role over the next 12–18 months—is oversight and consolidation (embedding current climate reporting and improving quality) – rather than development of future standards.

Role

21. Decisions on whether to advise on the adoption of new standards should be explicitly reserved to FRAB, rather than delegated to the Subcommittee. The Subcommittee should not set requirements; its outputs should be recommendations, draft guidance, and views on technical analysis for FRAB review and approval.

Composition

22. In the last meeting, HM Treasury confirmed:

- Chair - FRAB member to ensure alignment with the Board's remit; HM Treasury to continue providing the secretariat role.
- Role - Subcommittee to develop recommendations; FRAB to retain final advisory authority to government and standard-setters.
- Composition - No requirement for a FRAB majority; aim for broad expertise and sector coverage.
- Membership - Independent members, representatives from each relevant authorities with sustainability standard-setting policy responsibilities (HM Treasury, devolved administrations, CIPFA/LASAAC, Department for Health and Social Care).

Chair

23. HM Treasury initially proposes that the FRAB-SSC Chair should be drawn from FRAB's existing membership, to help maintain alignment with FRAB priorities. If no suitable member is available, HM Treasury would seek to appoint an additional FRAB member with an accounting background to undertake the role.

24. HM Treasury would provide the secretariat (meeting administration, papers, and reporting to FRAB) to align logistics and administration with FRAB.

Membership

25. HM Treasury's intention is that the Subcommittee should be no larger than FRAB overall, while including a comparable range of representative groups. FRAB's size and constituent parts as at 31 March 2026 are:

Chair	1
Independent	4
Preparers and users	5
Audit	2
Relevant authorities	7
Parliamentary Representative	1
Observers	2
Total	**22**

26. Following on from views expressed in March 2026, the following representative groups should be standing members: independent members (including the Chair), preparers, users, auditors, and relevant authorities. Other members (including from time-limited working groups) would be invited as needed.

27. Similar to the previous FRAB-SSC, HM Treasury plans to propose that representative groups may send alternates. For example, HM Treasury's Deputy Director delegating to the Head of Sustainability Reporting. Our planned proposal is for FRAB members to have first right of take-up/refusal for "their seat" and be able to delegate to named leads (e.g., sustainability reporting leads) where appropriate. Where additional representation is considered beneficial (e.g., where segregation of roles is unclear), exceptions could be agreed on an ad-hoc basis.

28. Some topics may justify dedicated working groups. A near-term priority is improving the quality of TCFD-aligned disclosures; so a dedicated group on climate and emissions reporting will be explored.

29. HM Treasury plans to return to the Board in November 2026 with a draft Terms of Reference for the Subcommittee. HM Treasury plans to commence early discussions with potential representatives from across the sector, to test interest and inform the proposals ahead of the November meeting.