Guide to ESG Reporting

Contents

The Case for a Comprehensive Disclosure Approach

Transparency and accountability lie at the heart of ESG reporting, but navigating its complexities requires time, resources, and expertise.

A strategic approach to disclosure blends mandatory requirements with voluntary best practices, **unlocking both compliance and opportunities for value creation**. Organisations can use it to bridge regulatory demands with broader sustainability goals, enabling a transparent, impactful narrative for stakeholders.

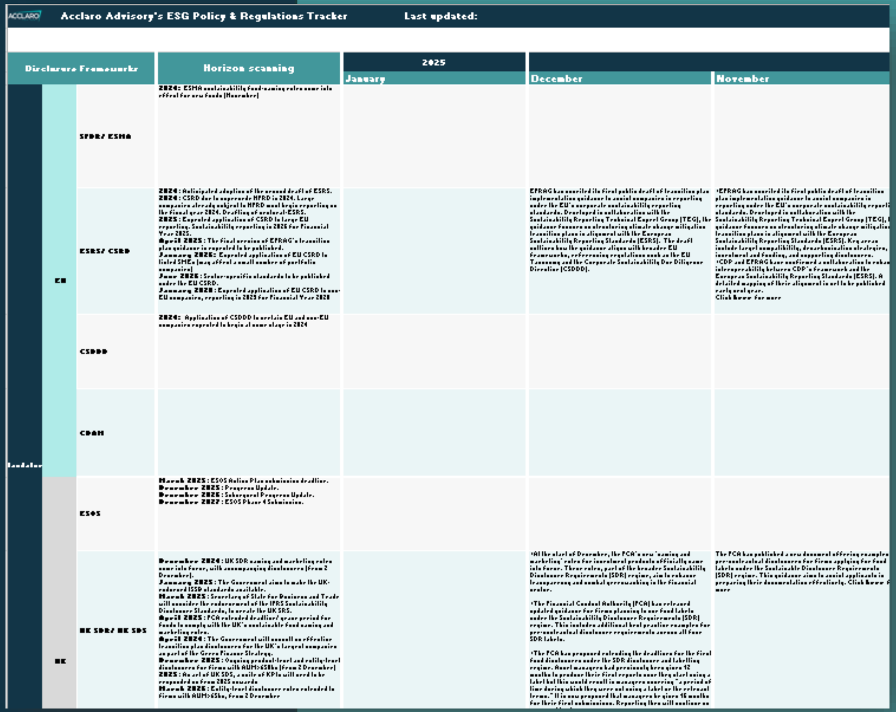
Adopting a unified ESG disclosure strategy allows organisations to transition from meeting minimum requirements to **maximising sustainability performance**. This proactive approach not only ensures preparedness for evolving expectations, but also builds resilience across the organisation, increases stakeholder trust, and drives long-term value creation.

> Acclaro Advisory helps clients master ESG reporting with expert support, from **readiness assessments** to full **disclosure strategies**.
>
> Stay ahead with our bespoke ESG Horizon Scanning service and free monthly ESG updates, ensuring you're always prepared for regulatory changes. If you’d like to discuss how we can support your disclosure strategy, please get in touch.

Subscribe to our monthly ESG updates.

Stay on top of all things ESG regulation and reporting with our free updates. You'll receive an updated ESG tracker every month with key updates, plus relevant regulatory insights!

Subscribe for free



What is ESG reporting & why does it matter?

ESG reporting is the process of disclosing a company’s environmental, social, and governance practices, covering aspects like carbon emissions, labour conditions, diversity, and corporate governance. It offers stakeholders—such as investors, regulators, customers, and the public—a transparent view of how a company manages its sustainability risks and responsibilities beyond financial performance.

The current landscape is evolving rapidly. Stakeholders are putting your ESG metrics under increasing scrutiny, seeking credible, verifiable, and comparable data to guide their decisions. Meeting their expectations often requires going beyond mandatory requirements.

Benefits of ESG Reporting include:

- **Investor Appeal**
  ESG transparency attracts responsible investors and improves access to capital.
- **Regulatory Compliance**
  Mandatory reporting standards are increasing; compliance avoids penalties.
- **Risk Management**
  Identifying ESG risks helps companies mitigate long-term operational and financial risks.
- **Reputation Protection**
  Proactive ESG reporting helps manage reputational risks and prevents backlash.
- **Competitive Edge**
  ESG reporting sets companies apart, enhancing brand reputation and market positioning.
- **Stakeholder Trust**
  Transparency fosters trust with customers, employees, and communities.
- **Cost Efficiency**
  Tracking ESG metrics often reveals inefficiencies, leading to cost savings.
- **Talent Attraction**
  Sustainability commitment appeals to purpose-driven employees and enhances retention.

Standards vs Frameworks

Frameworks

- Frameworks are high-level principles-based guidance that help a company integrate sustainability into an organisation's operations, strategy, and decision-making.
- They offer guidelines for what information should be reported and how it should be structured. They provide a method for organisations to benchmark themselves against others as well as global best practices.
- Frameworks can be either voluntary, adopted by a business to help them report on ESG, or mandatory as implemented through legislation at a national or international level.

Standards

- Standards provide specific, detailed, and replicable requirements on each topic that reporting entities are expected to meet.
- Standards make frameworks actionable by providing comparable, consistent, and reliable information.[1]

[1]Per SASB's website

How to report

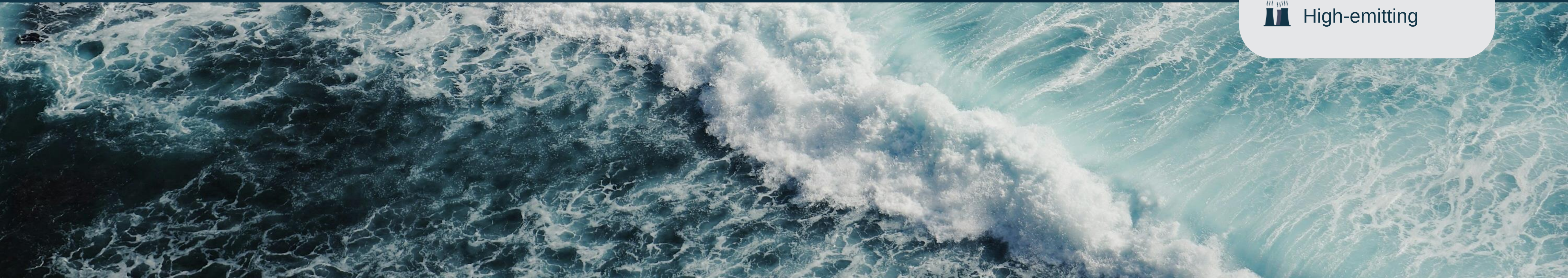
Name	Mandatory/Voluntary	Type (Framework/ Standard)	Reporting requirements	Location
SDR	Mandatory	Framework	Requirements for financial investment funds to align with and disclose	UK
UK SRS	Mandatory	Framework	TBD, likely in the annual report	UK (in progress)
SECR	Mandatory	Framework	Included in annual report	UK
ESOS	Mandatory	Framework	Separate energy audit report	UK
UK CFD	Mandatory	Standard	Reporting requirements for contracts	UK
TCFD	Mandatory & Voluntary	Framework	Included in the annual report	UK (mandatory); Global (voluntary)
CSDDD	Mandatory	Standard	Separate report	EU
CSRD	Mandatory	Framework	Included in the annual report	EU
SFDR	Mandatory	Framework	Included in the annual report or separate report, depending on entity	EU
EU Taxonomy	Mandatory	Framework	Report through the CSRD	EU
CBAM	Mandatory	Standard	Separate report	EU
EU ETS	Mandatory	Standard	Carbon emissions reporting	EU
IFRS S1 & S2	Mandatory in many countries, but a voluntary standard.	Standard	Included in the annual report	Global
SBTi	Voluntary	Standard	Comprehensive carbon footprint, with target, and questionnaire for validation of targets.	Global
ICVCM	Voluntary	Framework	Included in the annual report or separate sustainability report.	Global
CDP	Voluntary	Framework	Submission of questionnaire and scoring on CDP website.	Global
CCA	Voluntary	Standard	Tracking and submission of energy	UK
GRI	Voluntary	Framework	Included in the annual report or separate sustainability report.	Global
SASB	Voluntary	Standard	Included in the annual report	Global
ISO system	Voluntary	Standard	Build, operate and maintain a system to the standard. Third party audited	Global
TNFD	Voluntary	Framework	Included in the annual report	Global
TCFD	Mandatory	Framework	Disclosure through Annual reports	UK
GGCs	Mandatory	Framework	Reported through DCMS quarterly	UK
HM Treasury Sustainability Reporting Guidance	Mandatory	Framework	Disclosure through annual reports	UK
FReM	Mandatory	Framework	Disclosure through annual reports	UK

Corporate Mandatory ESG Reporting

UK & EU mandatory reporting regulations and their top-level requirements

Applicable Sector Key

- Financial services
- Property
- High-emitting



UK Sustainability Disclosure Requirements (SDR)

Region:
Sector: £

The **UK Sustainability Disclosure Requirements (SDR)** is a framework to facilitate and streamline the disclosure of robust, decision useful information between corporates, consumers and investors and capital markets. SDRs include a product labelling regime, mandatory entity- and product-level disclosures, restrictions on the use of certain sustainability-related terms, and an anti-greenwashing rule.

Governing Body: Financial Conduct Authority

Objectives

Combat greenwashing: in financial markets

Improve transparency: Ensure companies disclose clear, comparable, and decision-useful information on their ESG performance

Support sustainable finance: Empower investors to invest in sustainable businesses by providing better insights into companies' sustainability status

Align with global standards: Such as the TCFD and ISSB standards

Who must comply?

UK investment product managers (including wealth, fund and asset managers) will be impacted by the product labelling and disclosure rules.

Distributors of investment products to retail investors in the UK (e.g. financial advisors, platforms etc) will be subject to aspects of the labelling, naming and marketing regime and the anti-greenwashing rule.

All FCA authorised firms that make sustainability-related claims about their products or services will be impacted by the anti-greenwashing rule.

Key Features

- Sustainability labels: Funds in the UK will now fall into three broad categories related to their level of sustainability and disclosure:
  - Sustainability Focus products invest in assets that are environmentally or socially sustainable
  - Sustainability Improvers invest in assets that have the potential to become more sustainable over time
  - Sustainability Impact seek to achieve a predefined, positive, measurable environmental and/or social impact.
  - Sustainability Mixed Goals invest in assets that meet or have the potential to meet a standard for sustainability, and/or invest to achieve positive impact.
- Product- and entity-level disclosures: Rules on specific product-level disclosures (consumer facing, pre-contractual and ongoing) and entity-level sustainability reports.
- Anti-Greenwashing rule: Ensures sustainability claims made by UK regulated firms are fair and not misleading.
- Rules for distributors: Ensure relevant labels and product-level information are available to UK retail customers.
- Naming and marketing rules: Prevent the use of certain sustainability terms in product names and marketing materials for products not labelled.

ACCLARO ADVISORY

UK Sustainability Reporting Standards (SRS) - *Expected*

Region:
Sector: All

The **UK Sustainability Reporting Standards (UK SRS)** is a pivotal upcoming regulation that will fall within the SDR. It is designed to enhance transparency and accountability in corporate sustainability reporting across the UK. They are set to align UK reporting requirements with IFRS Sustainability Disclosure Standards and introduce a unified approach to how businesses report on environmental, social, and governance issues.

Governing Body: UK Financial Conduct Authority (FCA)

Objectives

Increase transparency: Provide a standardised approach for companies to report on their ESG impacts and how these are integrated into their strategy and operations.

Improve comparability: Enable stakeholders to compare sustainability data across companies, sectors, and regions.

Support decision-making: Equip investors, regulators, and other stakeholders with reliable information to assess corporate sustainability risks and opportunities.

Promote accountability: Encourage businesses to take responsibility for their sustainability impacts by reporting on key ESG metrics and targets.

Who must comply?

Initially, it's likely that the FCA will implement the UK SRS for UK-listed companies and financial institutions in Q1 2025. The government will then announce legislative decisions for other organisations in Q2 2025.

Key Information

Sets out the UK adoption of the IFRS Sustainability Disclosure Standards:

- The UK government has been a strong supporter of the ISSB since its launch.
- As part of the 2023 Green Finance Strategy, the UK government made plans to assess IFRS S1 and S2 for their suitability for endorsement in the UK
- If the decision is affirmative, the UK is set to create the UK SRS based on IFRS S1 and S2.
- This decision is expected in Q1 2025.

Streamlined Energy & Carbon Reporting (SECR)

Region:

Sector: All

The **Streamlined Energy and Carbon Reporting (SECR)** is a UK government framework that mandates energy and carbon reporting for certain companies. It was introduced in 2019 to increase transparency and accountability regarding energy use and carbon emissions, and to encourage energy efficiency improvements.

Governing body: Companies House in collaboration with HMRC and DESNZ.

Objectives

SECR replaced the CRC Energy Efficiency Scheme, simplifying reporting obligations while broadening the scope to include more businesses.

The objectives of the Streamlined Energy and Carbon Reporting (SECR) framework are to promote transparency, accountability, and efficiency in energy use and carbon emissions management by requiring the publishing of relevant energy and carbon data within a company annual financial report.

Who must comply?

- Quoted Companies: Those listed on the UK Stock Exchange or other recognised exchanges.
- Large Unquoted Companies: Defined under the Companies Act 2006 as meeting at least two of the following criteria:
    - Turnover of £36 million or more.
    - Balance sheet total of £18 million or more
    - 250 or more employees.
- Large LLPs (Limited Liability Partnerships):
    - Meeting the same size criteria as unquoted companies.

Key Features

Organisations in scope must include SECR disclosures in their annual financial reports. These should cover:

- Energy Consumption: The total energy used (e.g. electricity, gas, transport fuels).
- Carbon Emissions: Associated emissions from energy use (e.g. Scope 1 and Scope 2 emissions).
- Intensity Metrics: A ratio to contextualise emissions (e.g. emissions per employee or per turnover).
- Energy Efficiency Actions: Details of energy-saving measures taken during the reporting period.
- Low Energy Users: Companies consuming less than 40,000 kWh of energy annually can opt out but must state their exemption.

Energy Savings Opportunity Scheme (ESOS)

Region:
Sector: All

The **Energy Savings Opportunity Scheme (ESOS)** is a mandatory energy assessment scheme established by the UK government to help large organisations identify cost-effective energy-saving opportunities. It was introduced to comply with the EU's **Energy Efficiency Directive** and remains part of UK law post-Brexit.

Governing body: The UK Environment Agency (EA)

Objectives

Identify energy-saving opportunities: Encourage large organisations to assess their total energy consumption and identify cost-effective ways to improve energy efficiency.

Reduce energy costs: Help businesses reduce energy costs by making them aware of inefficiencies and opportunities for improvement.

Support sustainability goals: Contribute to national and global sustainability targets by encouraging organisations to reduce their carbon footprints through more energy-efficient practices.

Who must comply?

ESOS applies to large UK organisations and their corporate groups that meet the following criteria:

- 250 or more employees, or
- Annual turnover of £44 million or more, and balance sheet total of £38 million or more.

Changes to the Manage your ESOS reporting system are planned to be in place by early 2027 in advance of the notification of compliance deadline for Phase 4, which is 5 December 2027.

Key Features

- Energy audits: Organisations must conduct energy audits every 4 years to assess energy consumption and identify ways to improve efficiency.
- Energy consumption calculations: Companies must calculate their total energy consumption (TEC) and significant energy consumption (SEC) across all activities, including building operations, industrial processes, and transport. This includes direct energy use and purchased energy.
- Compliance routes: Organisations can comply in a few different ways:
  - Undertaking a formal energy audit that meets ESOS standards.
  - Using ISO 50001 certification as an alternative to energy audits
  - Compliance with Display Energy Certificates (DECs) or Green Deal Assessments (GDAs), if relevant.
- Reporting requirements: Organisations must report their compliance to the EA with details of energy audit reports, energy consumption calculations (with evidence), and identified energy-saving opportunities.
- Energy-saving recommendations: While companies are not required to implement the energy-saving measures identified, the scheme's goal is to highlight cost-effective ways to reduce energy consumption.
- Action Plans: submit an action plan and progress updates during the subsequent relevant compliance period.

UK Climate-related Financial Disclosures (CFD)

Region:

Sector: All

The **UK's Climate-related Financial Disclosures (CFD)** require entities to disclose how climate change impacts their financial risk and overall business model. Aimed at enhancing corporate transparency, CFD helps internal and external stakeholders understand the financial and operational implications of climate-related risks and opportunities. It is a similar framework to TCFD but with differences in key features and who the disclosure applies to.

Governing body: Department for Energy Security & Net Zero (DESNZ)

Objectives

Promote transparency on climate risks: Enable investors, lenders, and stakeholders to better assess the climate-related financial risks and opportunities facing companies.

Drive corporate climate action: Encourage businesses to integrate climate-related considerations into their governance, strategy, and risk management.

Support investment in sustainability: Provide clear, decision-useful climate information to help investors make informed investment decisions.

Who must comply?

Applies to a wider group of entities compared to the TCFD, including:

- All UK companies that are required to produce a non-financial information statement, UK companies that have 500+ employees and have either transferable securities admitted to trading on a UK regulated market or are banking companies or insurance companies (PIEs).
- UK registered companies with securities admitted to AIM with 500+ employees.
- UK registered companies not included in the categories above, which have more than 500 employees and a turnover of more than £500m.
- Large LLPs, which are not traded or banking LLPs, and have more than 500 employees and a turnover of more than £500m.
- Traded or banking LLPs which have 500+ employees.

Key Features

- Based on Companies Act requirement: Mandatory disclosures with exemptions
- Disclosure points:
  - There are 8 disclosure points, (a) to (h). They include governance structures for assessing and managing climate-related risks and opportunities, methods to identify, assess and integrate climate-related risks into overall risk management strategies and an outline of climate-related risks and opportunities.
  - Use of climate scenarios: Entities must describe the actual and potential impacts of these risks and opportunities under various climate-related scenarios.
  - Metrics and targets: Organisations are required to disclose the targets and KPIs set to manage climate-related risks and opportunities, accompanied by a summary of their performance and the methodologies behind these calculations
- Analysis requirements:
  - Scenario analysis every three years: An exploration of how climate change can impact the business, through acute and chronic physical risks as well as broader transitional challenges and opportunities under a range of climate scenarios
  - Transparent methodologies: Entities must outline their evaluation processes and methods, including their integration into management frameworks.
  - Clear insights: Entities must provide qualitative narratives (at minimum) that offer clear, understandable insights into the climate-related risks and opportunities

UK Mandatory TCFD Reporting

Region:
Sector: £

The **Task Force on Climate-related Financial Disclosures (TCFD)** provides a framework for companies to disclose how climate-related risks and opportunities affect their financial performance. The UK government made TCFD-aligned disclosures mandatory for large businesses to ensure transparency on climate-related risks and opportunities. It is a similar framework to CFD but with differences in key features and who the disclosure applies to.

Governing body: Financial Conduct Authority (FCA)

Objectives

Transparency on climate risks: Enable investors, lenders, and stakeholders to better assess the climate-related financial risks and opportunities

Drive corporate climate action: Encourage businesses to integrate climate-related considerations into their governance, strategy, and risk management.

Support investment in sustainability: Provide clear, decision-useful climate information to help investors make informed investment decisions.

Who must comply?

Different to CFD, Mandatory TCFD applies only to **FCA regulated companies** including Premium-listed and standard-listed companies who are subject to 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.

Key Features

- Based on Listing Rule Requirements: Implemented on a “comply or explain” basis
- Four core pillars of disclosure: The TCFD framework has 11 disclosure recommendations spanning four key pillars, which companies are required to report on:
  1) Governance: The company’s governance structure regarding climate-related risks and opportunities, including the role of the board and management
  2) Strategy: Actual and potential impacts of climate-related risks and opportunities on the company’s business strategy, financial planning, and long-term objectives
  3) Risk management: Processes to identify, assess, and manage climate-related risks, and how these are integrated into the company’s risk management framework including:

     Transition risks: Risks related to the transition to a lower-carbon economy, e.g. regulatory changes, shifts in market demand, and consumer preferences.

     Physical risks: Risks posed by climate change, including risks from extreme weather events and long-term changes in climate patterns.
  4) Metrics and targets: Specific metrics to assess and manage relevant climate risks and opportunities along with targets to manage climate-related impacts
- Climate scenario analysis: Companies are expected to perform and disclose scenario analysis, exploring how different climate scenarios could affect their business in time.

Corporate Sustainability Due Diligence Directive (CSDDD)

Region:

Sector: All

The **Corporate Sustainability Due Diligence Directive (CSDDD)** sets out a corporate due diligence duty for large companies operating in the European Union to identify, prevent, mitigate, and account for their adverse impacts on human rights and the environment throughout their global value chains. In addition, the Directive sets out an obligation for large companies to adopt and put into effect a transition plan for climate change mitigation in line with the Paris Agreement. The implementation of CSDDD will first impact larger businesses, beginning in July 2027.

Governing Body: The European Commission

Objectives

Prevent harm: Ensure that companies conduct due diligence to prevent, mitigate, and address adverse human rights and environmental impacts within their own operations and across their global value chains.

Legal accountability: Establish clear legal obligations for companies to perform due diligence on sustainability risks and hold them accountable for failing to take appropriate measures.

Promote consistency: By implementing a unified approach across the EU, the directive intends to provide businesses, customers, and victims with more clarity about expected behaviour and potential liability.

Who must report?

EU companies with 1000+ employees or a €450 million turnover

Non-EU companies with a €450 million turnover in the EU

EU and Non-EU Franchised companies with €80 million turnover and €22.5 million in royalties

Key Features

- Companies must integrate due diligence into policies and risk management systems
- Companies must identify, assess, prioritise and take action to prevent or mitigate adverse impacts on:
  - Human rights: Including child labour, forced labour and inadequate worker safety
  - Environmental impacts: Including pollution, biodiversity loss, and GHGs
- Value chain focus: The directive covers both a company's own operations and its entire global value chain (suppliers, contractors, and business partners).
- Remediation: If adverse impacts are identified, companies must take steps to remedy the harm, either directly or in cooperation with stakeholders.
- Stakeholder engagement: Companies are required to engage with stakeholders, including affected communities and workers, to identify and address risks related to human rights and environmental harm.
- Reporting requirements: Firms must report publicly on the due diligence processes they have undertaken, and the steps taken to address any adverse impacts.

Corporate Sustainability Reporting Directive (CSRD)

Region:
Sector: All

The **Corporate Sustainability Reporting Directive (CSRD)** is a new European Union regulation adopted in line with commitments made under the European Green Deal. It replaces the Non-Financial Reporting Directive (NFRD) and sets out mandatory sustainability reporting requirements for companies operating within the EU.

Governing Body: The European Commission

Objectives

Increase transparency: Improve and expand the scope of sustainability reporting for companies operating within the EU, ensuring greater transparency for investors, consumers and other stakeholders.

Harmonise EU sustainability reporting standards with international frameworks (e.g., TCFD, GRI, ISSB).

Who must report?

Reporting in 2025: Companies under NFRD

Reporting in 2026: Large companies meeting two out of three criteria: 250+ employees, €40 million in net turnover, or €20 million in total assets

Reporting in 2027: Listed SMEs

Reporting 2029: Non-EU parent companies with € 150 million net turnover in the EU

Key Features

- Mandatory sustainability disclosures on:
  - Environmental: Climate change, resource use, water, pollution, biodiversity.
  - Social: Employee well-being, human rights, community relations, diversity.
  - Governance: Business ethics, anti-corruption measures, board diversity.
- European Sustainability Reporting Standards (ESRS): The CSRD introduces 12 ESRS across different aspects of ESG. Detailed guidance sets out exactly how obligations should be applied by companies.
- Double materiality: Focus on how sustainability issues affect the company financially (financial materiality) and how the company's activities impact society and the environment (impact materiality).
- Assurance requirement: Sustainability reports must undergo external assurance (audit) to ensure data accuracy (initially limited, but with reasonable assurance over time).
- Digital reporting: CSRD requires companies to tag reported sustainability information in a digital, machine-readable format to improve accessibility and comparability.

Sustainable Finance Disclosure Regulation (SFDR)

Region:
Sector: £

The Sustainable Finance Disclosure Regulation (SFDR) is an EU regulation which sets out how financial market participants and advisors must disclose sustainability information. This helps investors who seek to put their money into companies and projects supporting sustainability objectives to make informed choices.

Governing Body: The European Commission

Objectives

Increase transparency: Ensure that financial market participants (FMPs) and financial advisors disclose how they integrate sustainability risks and consider adverse impacts on ESG factors.

Drive sustainable investments: Encourage investors to allocate capital to sustainable activities, supporting the EU's environmental and social objectives, and its shift to a net-zero economy and reduce greenwashing.

Who must report?

Financial market participants (FMPs): Includes a wide range of financial institutions such as asset managers, insurance companies, pension funds, and investment firms

Financial advisors: Entities providing investment or insurance advice

All financial products

Key Features

- Entity-Level 1 disclosure: FMPs must disclose how they integrate sustainability risks into their investment decisions at the firm level.
- Product-Level 2 disclosure: Firms must categorise and disclose sustainability characteristics at the product level:
  - Article 6: Financial products that do not integrate sustainability considerations or have neutral/non-sustainability objectives.
  - Article 8: Financial products that promote environmental or social characteristics (often called "light green" funds).
  - Article 9: Financial products that have sustainable investment as their core objective (often referred to as "dark green" funds).
- Principal Adverse Sustainability Impacts: SFDR requires firms to disclose how they consider and mitigate Principal Adverse Impacts (PAIs), which are the negative effects that investment decisions could have on ESG factors.
- Taxonomy alignment: Financial products must disclose how aligned they are with the EU Taxonomy for sustainable activities, which defines what constitutes an environmentally sustainable economic activity.

EU Taxonomy

Region:
Sector: £

The **EU Taxonomy regulation** is a classification system. The framework establishes a list of environmentally sustainable economic activities. It provides clarity for companies, capital markets, and policy makers on which economic activities are sustainable. The regulation recognizes and outlines six specific environmental objectives. It supports the EU's goal of helping capital flow to sustainable finance and green projects.

Governing Body: The European Commission

Objectives

The EU Taxonomy, a classification system, is an important market transparency tool that helps direct investments to activities most needed for the transition to net zero and environmental sustainability.

Under new EU rules, large, listed EU companies started in 2023 to report against the Taxonomy's two climate objectives – climate change mitigation and climate change adaptation. First reports from this year are also becoming available, which now also include information on the Taxonomy's other four environmental objectives.

Who must report?

Companies already subject to the NFRD and CSRD and the largest companies in scope of CSRD & CSDDD. (over 1000 employees & €450m turnover).

Companies under this threshold (€50 - €450m turnover) that claim activities are aligned with the Taxonomy shall also disclose specific requirements,

Financial market participants that market financial products in the EU under SFDR Article 9 products, and Article 8.

Key Features

- The six environmental objectives:
    - (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems.
    - For an activity pursuing one or more of the six objectives to qualify as sustainable it cannot cause significant harm to any of the other Taxonomy objectives.
    - The Taxonomy also defines two classification categories for each objective: enabling activities and transitional activities
- While the Taxonomy is primarily a classification tool, it requires certain entities to disclose information concerning the degree of alignment of their activities with the Taxonomy. The EU's Non-Financial Reporting Directive (NFRD) and new CSRD requires disclosure of the proportion of turnover derived from Taxonomy activities, and The proportion of their capital expenditure and operating expenditure associated with Taxonomy activities.
- SFDR scoped entities will need to disclose information on Taxonomy-alignment of their products. The disclosure covers products that have sustainable investment as their objective (Art. 9 SFDR products), and for those with environmental or social characteristics (Art. 8 SFDR products).

Carbon Border Adjustment Mechanism (CBAM)

Region:

Sector:

The **Carbon Border Adjustment Mechanism (CBAM)** is the EU's tool to put a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries. It is the world's first carbon border tax.

Governing Body: The European Commission

Objectives

Prevent carbon leakage: Ensure that EU efforts to reduce carbon emissions are not undermined by shifting production to countries with lower environmental standards, thereby preventing "carbon leakage."

Ensure a level playing field: Create fair competition between EU industries complying with stringent carbon rules and non-EU industries with weaker or no carbon regulations.

Promote global decarbonisation: Encourage non-EU countries to adopt greener production processes by subjecting carbon-intensive imports to a border levy.

Who must report?

CBAM currently covers importers of carbon-intensive goods, including:

Cement, Iron and steel, Aluminium, Fertilisers, Electricity, Hydrogen

The EU is planning to assess and potentially expand coverage of the CBAM by 2030, aiming to include over half of emissions in the EU ETS sectors by the full phase-in of CBAM in 2034.

Key Features

- Carbon pricing on imports: Importers must purchase CBAM certificates that reflect the carbon price that would have been paid under the EU ETS if the goods had been produced in the EU.
- ETS alignment: CBAM will be gradually phased in as free allowances under the EU ETS (which currently protect certain EU industries from international competition) are reduced by 45% in 2023-2027. As free allowances decrease, CBAM will ensure that imports face a similar carbon price to domestic products.
- Carbon content disclosure: Importers are required to report the embedded carbon content of their goods. If this information is not available, a default value based on average emissions for the product type can be used until the end of 2024, as well as for complex goods.
- Adjustments for foreign carbon pricing: If a non-EU country has a carbon pricing system in place, the CBAM levy will be adjusted to reflect the amount already paid by producers in that country, ensuring no double payment.

EU Emissions Trading System (ETS) Reporting

Region:

Sector:

The **EU Emissions Trading System (ETS)** is a cornerstone of the EU's policy to combat climate change and its key tool for reducing greenhouse gas (GHG) emissions cost-effectively. It is the world's first and largest carbon market, functioning on a cap-and-trade principle, where a cap is set on the total amount of emissions allowed from high-emitting sectors. Companies must monitor, report, and surrender allowances equivalent to their emissions, incentivising them to reduce emissions or purchase allowances from others.

Governing body: The European Commission

Objectives

Limit and reduce emissions: A progressive lowering of the emissions cap pushes industries to reduce their GHG emissions over time.

Promote a market-based approach: Encourage cost-effective emission reductions through the trading of emission allowances.

Drive innovation: Provide an economic incentive for companies to invest in low-carbon technologies by making emissions more expensive.

Finance the green transition: The ETS revenue primarily flows to national budgets and Member States must use it to support investments in renewable energy, energy efficiency improvements and low-carbon technologies.

Align with climate targets: Support the EU's target of 55% emission reductions by 2030 and net-zero emissions by 2050.

Who must comply?

ETS applies to high-emitting sectors operating within the European Economic Area (EEA), including power generation and manufacturing, aviation and maritime shipping.

Key Features

- Cap-and-trade system: A limit (cap) sets the total emissions allowed from all companies in the system. The cap is expressed in emission allowances with one allowance giving right to emit one tonne of CO_2 eq.
- Allowance trading: Companies can buy or sell unused emission allowances on the market. This allows companies that reduce their emissions to profit while others must purchase allowances if they exceed their limit.
- Emissions monitoring: Companies are to accurately monitor their GHG emissions using verified methodologies and report their emissions annually.
- Reporting obligations: ETS participants must submit annual reports detailing their total emissions for the previous year. Reports must be independently verified by accredited bodies to ensure accuracy. Companies must then surrender enough allowances to fully account for their annual emissions.
- Carbon pricing: Driven by the supply and demand for allowances
- Free allowances: Some industries, especially those at risk of carbon leakage (where businesses relocate to countries with laxer emissions constraints), receive free allowances to maintain competitiveness.

Voluntary ESG Reporting Standards & Frameworks

IFRS Sustainability Disclosure Standards

The **International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards** are developed by the ISSB under the IFRS Foundation. These standards aim to provide a globally consistent and comprehensive framework for sustainability reporting, focusing on enterprise value. The standards help companies disclose the financial impact of material sustainability-related risks and opportunities, enabling investors to make informed decisions.

Objectives

Global consistency: Create a unified global baseline for sustainability disclosures, ensuring comparability across markets and industries.

Investor focus: Provide investors with clear, consistent, and decision-useful information about how sustainability-related factors affect enterprise value.

Integration with financial reporting: Ensure that sustainability disclosures are as rigorous and reliable as financial disclosures, enabling companies to integrate them within their traditional financial reporting processes.

Facilitate interoperability: With disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups.

Who should report?

The IFRS Sustainability Disclosure Standards are designed for global use, and the standards are applicable to companies across all sectors and industries, with sector-specific guidance in development.

Key Features

The IFRS Sustainability Standards consist of two key standards:

IFRS S1 – General Requirements for Sustainability-related Disclosures:

- Provides overarching requirements for companies to disclose material information on all sustainability-related risks and opportunities affecting their financial performance.
- Disclosures should include governance, strategy, risk management processes as well as any metrics and targets

IFRS S2 – Climate-related Disclosures:

- Specifically focuses on climate-related risks and opportunities, both physical and transition
- Requires entities to disclose information on how these risks and opportunities could impact cashflow, access to capital, and financial position & performance over short, medium- and long-term time horizons
- Disclosures should include governance, strategy, risk management processes as well as any metrics and targets (consistent with IFRS S1 and TCFD)

Science-Based Targets Initiative (SBTi)

The **Science Based Targets initiative (SBTi)** is a global body that helps companies set science-based emissions reduction targets to align with the Paris Agreement goals of limiting global warming to well below 2°C, and pursuing efforts to limit warming to 1.5°C. SBTi reporting involves companies committing to and publicly disclosing targets to reduce GHG emissions in line with climate science.

Objectives

Align corporate climate action with science: Ensure that corporate emissions reduction targets are in line with what the latest climate science deems necessary to meet the Paris Agreement goals.

Mitigate climate risks: Help companies reduce their carbon footprint and manage climate-related risks by setting ambitious, science-based targets.

Promote transparency and accountability: Provide a clear framework for companies to publicly commit to and report on their emissions reduction progress.

Drive corporate climate leadership: Encourage companies to take leadership roles in global climate action by setting verifiable, long-term targets.

Who should report?

SBTi is used globally by companies across a wide range of sectors, including manufacturing, energy, transportation, retail, finance, and more.

Key Features

- SBTi focuses on GHG emissions across three main scopes:
  - Scope 1: Direct emissions from owned or controlled sources.
  - Scope 2: Indirect emissions from the generation of purchased electricity, steam, heating, and cooling.
  - Scope 3: All other indirect emissions that occur in the value chain
- Target-setting framework: Companies set science-based targets for reducing GHG emissions based on sector-specific pathways developed by scientists.
- 1.5°C ambition: Companies are encouraged to set targets that align with limiting global warming to 1.5°C, the most ambitious goal of the Paris Agreement.
- Validation and verification: Targets are independently validated by SBTi, ensuring they are aligned with scientific pathways. Companies must provide annual progress reports to demonstrate progress toward meeting their targets.
- Scope 3 focus: Scope 3 emissions often represent the largest portion of a company’s carbon footprint, particularly for sectors with complex supply chains.
- Net-zero commitments: SBTi offers a Net-Zero Standard, guiding companies in setting long-term targets to reach net-zero emissions by 2050 or earlier.

The Integrity Council for the Voluntary Carbon Market (ICVCM)

Established in 2021, the Integrity Council for Voluntary Carbon Market is a non-profit, independent governance body set up to implement stricter standards to ensure the Voluntary Carbon Market (VCM) can meet its objectives of cutting emissions and unlocking private climate finance.

Objectives

Set and establish global standards for high integrity in the VCM.

Enable the VCM to efficiently mobilise climate finance to reduce emissions, build resilience and aid a just and equitable transition to 1.5ºC.

To engage with all stakeholders in the VCM including VCM practitioners, governments, regulators, Indigenous Peoples and local communities.

Support and encourage carbon programs and projects to increase their ambition over time.

Who should report?

ICVCM can be used globally by all organisations across a variety of industries and sectors to support and set the standard for carbon credit procurement decisions.

Key Features

The 10 Core Carbon Principles (CCP) set the global benchmark for high integrity in the VCM and are used to identify high-quality, verifiable carbon credits:

1. Effective Governance
2. Tracking
3. Transparency
4. Robust Independent third-party validation and verification
5. Additionality
6. Permanence
7. Robust quantification of emission reductions and removals
8. No double counting
9. Sustainable development benefits and safeguards
10. Contribution to net zero transition

The ICVCM assess carbon crediting programs (registries) and methodology types against the Core Carbon Principles.

Under the ICVCM's assessment process, carbon credits can only be tagged with a CCP label if the registry that approves them is CCP-eligible and projects that generate the credit use have their methodologies approved.

CDP (formerly Carbon Disclosure Project)

CDP is a global nonprofit that manages a comprehensive environmental disclosure platform on climate change, water security, and deforestation for companies, cities, and governments worldwide. CDP is a widely recognised system for environmental transparency.

Objectives

Environmental transparency: Provide stakeholders, including investors and regulators, with clear and comparable data on environmental impacts and strategies to enable informed decisions

Uncover risks and opportunities: Help companies and cities to identify emerging environmental risks and opportunities that would otherwise be overlooked, to inform data-driven strategy.

Drive environmental leadership: Score and benchmark companies and cities based on their journey through disclosure and towards environmental leadership.

Stay ahead of regulation: Disclosing through CDP enables companies to meet reporting rules in multiple regions.

Who should report?

Companies, small and medium-sized enterprises (SMEs), cities, states, and regional governments can report through CDP

Companies with significant environmental impacts, such as Energy, Utilities, Transportation, Manufacturing and Financial institutions respond to additional sector-specific questions.

Key Features

- Environmental areas covered:
    - Climate change: Scopes 1-3 emission disclosure covering direct emissions, indirect emissions from purchased energy, and emissions from the value chain, as well as other climate-related aspects such as governance, risks & opportunities and targets
    - Water security: Reporting on water usage, risks related to water scarcity, and water management practices.
    - Forests: Disclosures on deforestation, including the use of forest-risk commodities like timber, palm oil, and soy.
    - Recent expansion to plastics and biodiversity
- ‘Multi-environmental issue’ format for the full corporate questionnaire from 2024.
- Supply chain program: A Supplier Questionnaire enables companies to engage with their suppliers on environmental issues.
- Scoring and benchmarking: CDP scores companies based on their disclosures, ranging from A (Leadership) to D- (Disclosure), and benchmarks performance
- Alignment with global frameworks: CDP’s climate disclosures are aligned with the Task Force on Climate-related Financial Disclosures (TCFD) and other key sustainability standards, such as SBTi (Science-Based Targets initiative).

Climate Change Agreements (CCA)

Climate Change Agreements (CCAs) are voluntary agreements between UK businesses and the government that provide a financial incentive to improve energy efficiency and reduce carbon emissions. Businesses that meet agreed energy efficiency targets benefit from significant discounts on the Climate Change Levy (CCL), a tax applied to energy bills. In exchange, participants are required to meet energy efficiency improvement targets agreed between government and sector associations.

Governing body: Administered by the Environment Agency (EA) in England. And devolved equivalents in Scotland, Wales and N. Ireland.

Objectives

The aims of the CCA is to encourage energy efficiency by motivating companies to reduce energy consumption and implement energy-efficiency practices so to support the UK's carbon reduction targets which includes its net zero target. It does this by offering a financial incentive to energy intensive industries in the transition to a low carbon economy.

Who must comply?

To apply to become eligible for CCA's businesses must operate sites/ facilities within sectors classified as energy-intensive (e.g., chemicals, metals, food and drink manufacturing, ceramics). These are outlined in the eligibility appendix of the CCA handbook. There are a wide range of industries (over 50) open for eligibility.

Key Features

- The current scheme started on 1 April 2013 and was scheduled to run until 31 March 2023 in 4 Target Periods. The scheme was extended for 2 years until March 2025 in a fifth Target Period which added new targets and enabled new entrants to apply to enter the scheme.
- Some of the scheme rules are mandatory whereas others are optional, depending on your circumstances. You should be aware that once you have signed up to an agreement it may not be possible to change these optional rules, and this may affect the demonstration of performance against your targets.
- The process incorporates:
    1. Determination of eligibility
    2. Apply for CCA
    3. Negotiate energy efficiency targets
    4. Track energy / Implement reductions
    5. Submit data to EA and maintain documentation for audit
    6. Compliance achievement or failure

Global Reporting Initiative (GRI)

The **Global Reporting Initiative (GRI)** is a widely adopted framework for sustainability reporting, enabling organisations to disclose their economic, environmental, and social impacts. GRI Standards are used by companies to enhance transparency, facilitate sustainability reporting, and help stakeholders assess an organisation’s performance. The framework is voluntary but often used by companies to meet regulatory and investor expectations for ESG disclosures.

Objectives

Promote transparency using a common language: GRI's standards are the most widely used sustainability reporting framework in the world, and they help organisations to consistently communicate their impacts on environmental, social, and governance issues.

Standardised ESG reporting: Provide a structured and comparable framework for companies to disclose their ESG-related data.

Support stakeholder decision-making: Make sustainability information clear and accessible, allowing stakeholders to understand an organisation’s sustainability impacts and progress.

Continuous improvement: Encourage organisations to continually improve their sustainability performance by setting goals, tracking progress, and reporting on their performance.

Who should report?

GRI is used globally by organisations across a variety of industries and sectors, making it one of the most widely applied frameworks for sustainability reporting.

Key Features

- Sustainability disclosures on:
    - Economic impacts: Includes financial performance, market presence, indirect economic impacts, procurement practices, and anti-corruption.
    - Environmental impacts: Covers topics like energy use, GHG emissions, biodiversity, waste management, and climate change.
    - Social impacts: Focuses on labour practices, human rights, diversity, health and safety, community impact, and supply chain responsibility.
- Modular system: GRI Standards comprise of three series, namely the Universal Standards (for all), the Sector Standards, and 33 Topic Standards
- Flexible structure: Organisations prepare a sustainability report that covers all topics where they have significant impacts, or they can report on individual topics to meet specific stakeholder demands or to comply with regulation
- Materiality assessment: Companies are to identify the most significant issues impacting their business and stakeholders
- Alignment with other frameworks: GRI reporting can be integrated with other sustainability frameworks, such as SASB, CDP, and UN SDGs

Sustainability Accounting Standards Board (SASB)

The **Sustainability Accounting Standards Board (SASB)** provides industry-specific standards for sustainability disclosure that focus on financially material ESG factors. SASB reporting helps companies communicate how sustainability issues impact their financial performance, providing investors with decision-useful information. The standards cover a wide range of industries and address the ESG issues most relevant to each sector. Since 2022, the ISSB has assumed responsibility of the SASB Standards.

Objectives

Financial materiality: Focus on the sustainability factors that are most likely to impact a company's financial condition, operating performance, or risk profile.

Investor-focused disclosures: Provide investors with clear, comparable, and relevant information on ESG risks and opportunities.

Standardisation: Offer a standardised framework for disclosing ESG factors across industries, making it easier for investors to compare performance between companies in the same sector.

Integration with financial reporting: Enable companies to integrate sustainability data with traditional financial disclosures to offer a holistic view of their performance.

Who should report?

SASB standards cover 77 industries across 11 sectors, with standards tailored to each industry's unique sustainability issues. These sectors include Energy, Transportation, Healthcare, Technology, Consumer goods and Financials

Key Features

- SASB focuses on the ESG factors that have the greatest potential to impact financial performance, including:
    - Environmental impacts: Energy management, GHGs, water use, and waste.
    - Social issues: Labour practices, human capital management, and product safety
    - Governance: Business ethics, data security, and risk management.
- Industry-specific standards: SASB standards are highly tailored to the unique sustainability issues relevant to each sector, ensuring material relevance for investors and businesses.
- Financial materiality focus: Unlike other frameworks that cover broader ESG issues, SASB is specifically concerned with those that directly affect a company's financial performance.
- Disclosure in annual filings: Companies are encouraged to include SASB metrics in their financial filings to provide investors with integrated information.
- Investor-driven: SASB's focus is on meeting the needs of institutional investors, ensuring that disclosures are aligned with the financial markets' expectations.

ISO 50001 Energy management system

ISO 50001 is an internationally recognised standard for energy management systems (EnMS). It provides a structured framework to help organisations improve energy performance, increase energy efficiency, and reduce energy costs and greenhouse gas (GHG) emissions. The standard follows the Plan-Do-Check-Act (PDCA) cycle for continuous improvement. The International Organization for Standardization (ISO) develops and maintains the ISO 50001 standard, while National Standards Bodies and Certification Bodies: Implement and certify compliance in individual countries (e.g., BSI in the UK).

Objectives

The objectives of the standard are to improve energy performance, reduce environmental impact, enhance cost efficiency and support compliance.

Who should report?

Compliance with ISO 50001 is voluntary, but it is suitable for organisations of all sizes and sectors – from public to private. The common factors are that organisations are aiming to improve energy efficiency. It is more cost effective for energy-intensive organisations to build and maintain a system.

Organisations that want to demonstrate their commitment to sustainability and energy management can report to ISO 50001.

Some regulations, such as ESOS can also be fulfilled using an ISO50001 certified management system.

Key Features

An ISO50001 certified management system is a formalised and documented approach to energy management that is operated for an organisation but meets the requirements of the ISO50001 International standard. Certification indicates that an accredited auditor from a national standards body has audited the organisation's approach and is satisfied that it has implemented an effective process and practices it on an on-going basis in line with the standard.

The key components are:

1. Policy
2. Energy planning
3. Implementation and operation of the system
4. Monitoring and measurement
5. Internal audit and management review
6. Continuous improvement of system

ISO 14001 Environmental management systems

ISO 14001 is the international standard for Environmental Management Systems (EMS), providing a framework for organisations to identify, manage, monitor, and improve their environmental performance. It focuses on minimising environmental impacts while ensuring compliance with regulations and enhancing sustainability practices. The International Organization for Standardization (ISO) develops and maintains the ISO 14001 standard, while National Standards Bodies and Certification Bodies: Implement and certify compliance in individual countries (e.g., BSI in the UK).

Objectives

The objectives of the standard are to improve environmental performance, reduce environmental impact, enhance cost efficiency and support compliance.

Who should report?

Compliance with ISO 14001 is voluntary, but it is suitable for organisations of all sizes and sectors – from public to private. The common factors are that organisations are aiming to improve their environmental impact.

Organisations that want to demonstrate their commitment to sustainability and environmental management.

Some regulations, can also be fulfilled using an ISO14001 certified management system.

Some purchasing companies can request the system as part of their procurement decision making process.

Key Features

An ISO14001 certified management system is a formalised and documented approach to environmental management that is operated for an organisation but meets the requirements of the ISO14001 International standard. Certification indicates that an accredited auditor from a national standards body has audited the organisation’s approach and is satisfied that it has implemented an effective process, and practices it on an on-going basis in line with the standard.

The key components are:

1. Policy
2. Environmental aspects and impacts
3. Legal compliance obligations
4. Planning and risk management
5. Operational control, monitoring and measurement
6. Internal audit and management review
7. Continuous improve of system

Taskforce on Nature-related Financial Disclosures (TNFD)

The **Taskforce on Nature-related Financial Disclosures (TNFD)** is a global initiative that responds to the acceleration of global nature loss and decline. The TNFD builds on the work of the Taskforce on Climate-related Financial Disclosures (TCFD) but focuses on nature and biodiversity by providing a framework for organisations to assess and disclose their nature-related risks and opportunities.

Objectives

Assess and manage nature-related risks: Help organisations identify and manage risks linked to nature and biodiversity, such as deforestation, water security, and ecosystem collapse.

Increase transparency: Encourage companies to provide clear and consistent information on how nature-related risks and opportunities impact financial performance and business operations.

Shift global financial flows: Away from nature-negative outcomes and towards nature-positive outcomes.

Align nature and financial performance: Ensure businesses consider their impact and dependence on natural ecosystems and biodiversity alongside financial outcomes.

Who should report?

TNFD reporting is applicable across all sectors, particularly those with significant dependencies or impacts on nature, such as Agriculture and food production, Forestry, Mining and extraction, Real estate and infrastructure, Finance and insurance.

TNFD promotes collaboration between sectors to create a holistic approach to managing nature-related risks across supply chains and industries.

Key Features

Four-pillar framework: Structured around four pillars that align closely with TCFD:

1) Governance: How nature-related risks and opportunities are overseen by boards and senior management.
2) Strategy: How nature-related risks and opportunities impact business models, strategy, and financial planning.
3) Risk management: Processes for identifying, assessing, and managing nature-related risks and opportunities, as well as the process used for prioritisation
4) Metrics and targets: Metrics to track nature-related risks and opportunities, along with targets for reducing impacts on natural ecosystems deemed material

LEAP: Approach for assessing and disclosing dependencies and impacts

Locate: Identify priority ecosystems and species on which the organisation depends.

Evaluate: Assess how nature loss affects business operations, supply chains, and financial performance.

Assess: Understand how dependencies and impacts on nature translate into risks and opportunities.

Prepare: Plan to mitigate risks and harness opportunities related to nature.

Aligned with key international goals such as the Kunming-Montreal Global Biodiversity Framework.

Public Sector Mandatory ESG Reporting Requirements

Taskforce on Climate-related Financial Disclosure (TCFD)

The **Task Force on Climate-related Financial Disclosures (TCFD)** provides a framework for companies to disclose how climate-related risks and opportunities affect their financial performance. The UK government made TCFD-aligned disclosures mandatory for large businesses to ensure transparency on climate-related risks and opportunities. The government now requires TCFD-aligned disclosures for departments, rolling the compliance out in phases.

Governing body: HM Treasury

Objectives

TCFD recommendations have been adopted by a broad range of organisations across countries, industries and sectors. The UK government formally endorsed the TCFD framework and has mandated TCFD-aligned disclosure for large entities in the private sector. It has since been mandated to public sector bodies to improve the quality and breadth of climate-related information in public sector annual reports and align climate-related reporting with the private sector.

Who must comply?

UK public sector bodies

Rollout

Phase 1 (issued Jul 23 for annual reports ending Mar 24): General principles (including scoping), Governance recommendation and recommended disclosures, Metrics and Targets recommended disclosure related to carbon emissions, TCFD Compliance Statement requirements.

Phase 2 (issued Mar 24 for annual reports ending Mar 25: Wider Metrics and Targets recommendations and disclosures, Risk Management recommendation and recommended disclosure

Phase 3 (issued Dec 24 for annual reports ending Mar 26): Strategy recommendation and recommended disclosures

Key Features

Four core pillars of disclosure: The TCFD framework has 11 disclosure recommendations spanning four key pillars which organisations are required to report on:

- **Governance**: The organisation's governance structure regarding climate-related risks and opportunities, including the role of the board and management
- **Strategy**: Actual and potential impacts of climate-related risks and opportunities on the organisation's business strategy, financial planning, and long-term objectives, including:
    - Transition risks: Risks related to the transition to a lower-carbon economy, e.g. regulatory changes, shifts in market demand, and consumer preferences.
    - Physical risks: Risks posed by climate change, including risks from extreme weather events and long-term changes in climate patterns.
    - Climate scenario analysis: Organisations are expected to perform and disclose scenario analysis, exploring how different climate scenarios could affect their business in time.
- **Risk management**: Processes to identify, assess, and manage climate-related risks, and how these are integrated into the company's risk management framework.
- **Metrics and targets**: Specific metrics to assess and manage relevant climate risks and opportunities along with targets to manage climate-related impacts

Greening Government Commitments

The UK's Greening Government Commitments (GGCs) set ambitious goals for government departments and agencies to reduce their environmental impact. These commitments aim to lead by example, aligning government operations with national climate and sustainability objectives.2021 – 2025 targets are coming to a close, and we are awaiting the announcement for the next phase.

Governing body: Cabinet Office and Defra

Objectives

The GGC framework establishes targets across key sustainability metrics, focusing on cutting carbon emissions, minimising waste, reducing water usage, and improving biodiversity. It encourages sustainable procurement and reporting to drive accountability and transparency in government operations.

Who must comply?

All UK central government departments, executive agencies, and non-departmental public bodies.

Rollout

Phase 1 (2016-2020): Set initial performance benchmarks for emissions, waste, and biodiversity.

Phase 2 (2021-2025): Targets broadened to include circular economy principles, water use, and supply chain sustainability.

Phase 3 (2025 onward): Stricter targets aligned with national carbon budgets and enhanced biodiversity goals. To be announced

Key Features

- **Carbon reduction**: Implement robust measures to achieve annual reductions in operational emissions, including transitioning to renewable energy sources, retrofitting buildings for energy efficiency, and adopting low-carbon travel policies. Progress is monitored and aligned with national net-zero targets.
- **Waste and resource use**: Drive reductions in single-use plastics, adopt circular economy practices, and implement procurement policies prioritising recycled or sustainable materials. Regular audits ensure waste minimisation and resource efficiency targets are met.
- **Biodiversity and green spaces**: Commit to enhancing biodiversity through increased tree planting, habitat restoration, and the creation or preservation of green spaces across government estates.
- **Sustainable procurement**: Embed sustainability into procurement processes, ensuring suppliers meet environmental criteria and prioritise low-impact products and services.
- **Transparency and accountability**: Publish detailed annual reports on GGC performance metrics, including energy consumption, waste management, and biodiversity initiatives. These reports are made publicly available to reinforce accountability and build trust.
- **The next round of GGCs** have not yet been announced but could include more extensive requirements around Scope 3 reporting, inclusion of international flight mileage as a headline target and a reduction target for single-use plastics

Current HM Treasury Sustainability Reporting Guidance

The **HM Treasury Sustainability Reporting Guidance** provides a framework for public sector organisations to report on their sustainability performance. It ensures consistency, transparency, and alignment with the government's sustainability goals and international commitments.

Governing body: HM Treasury

Objectives

The framework ensures public sector organisations:

- Report transparently on environmental, social, and economic sustainability impacts.
- Drive accountability for resource use, carbon emissions, and biodiversity.
- Align with UK net-zero targets and broader environmental goals.
- Demonstrate leadership in sustainable reporting to inspire action across sectors.

Who must report?

UK public sector organisations, including central government departments, agencies, and non-departmental bodies.

Key Features

The guidance outlines clear expectations for public sector organisations to track and report sustainability performance across critical areas:

- **Greenhouse gas (GHG) emissions**: Organisations must report scope 1, 2, and relevant scope 3 emissions, supported by clear data methodologies.
- **Energy and resource use**: Reporting covers energy consumption, waste generated, and water usage, with efficiency targets to minimise impacts.
- **Climate risk management**: Organisations must disclose how climate-related risks are identified, managed, and mitigated in operations.
- **Sustainability performance metrics**: Include financial savings from sustainability initiatives, social value creation, and progress on biodiversity targets.
- **Alignment with frameworks**: Reporting must align with key national and international standards, including TCFD recommendations.
- **Public accountability**: Annual performance disclosures must be publicly available, ensuring transparency and demonstrating progress against government commitments.

Government Financial Reporting Manual (FReM)

The **Government Financial Reporting Manual (FReM)** sets the sustainability reporting requirements for public sector organisations. It ensures consistent and transparent disclosure of environmental impacts, supporting accountability and alignment with government sustainability objectives.

Governing body: HM Treasury

Objectives

The sustainability requirements in FReM aim to:

- Provide clear and consistent sustainability disclosures across public sector organisations.
- Promote accountability for environmental impacts and resource use.
- Support the UK's net-zero and environmental sustainability goals through improved reporting.
- Encourage data-driven decision-making to manage climate-related risks and opportunities.

Who must report?

All central government departments, agencies, and non-departmental public bodies preparing annual reports and accounts under FReM.

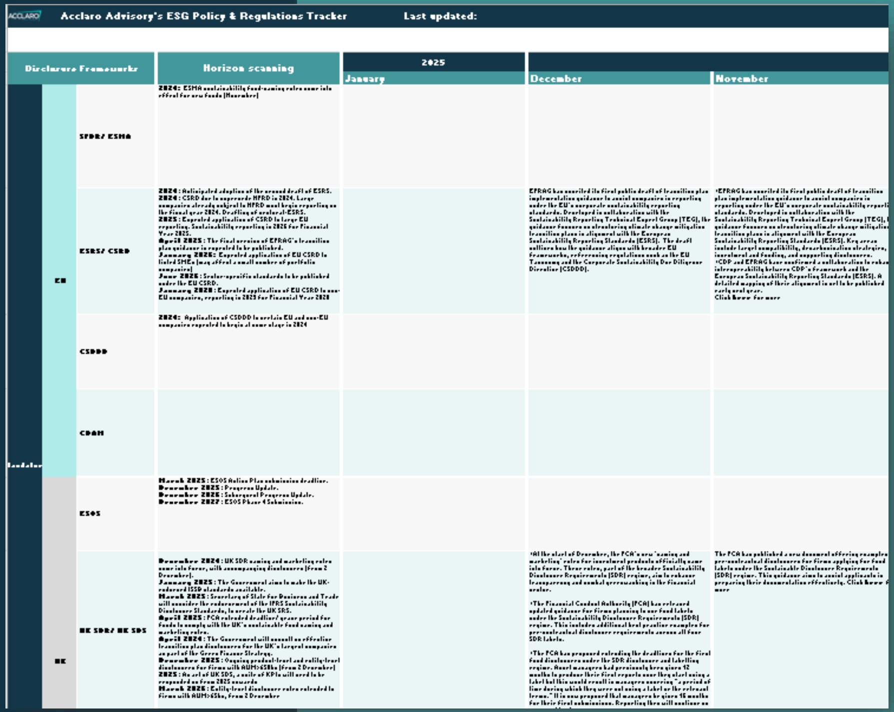
Key Features

- The FReM provides detailed guidance to ensure comprehensive sustainability reporting by public sector bodies:
- **Climate-Related Financial Disclosures (TCFD):** Increasing alignment with TCFD principles to integrate climate risk reporting.
- **Greenhouse Gas (GHG) Emissions:** Required reporting on operational emissions (scope 1 and 2), with encouragement for scope 3 where relevant.
- **Energy and Resource Use:** Public bodies must track and report energy consumption, waste, and water usage.
- **Biodiversity and Natural Capital:** Entities encouraged to disclose actions supporting biodiversity and environmental stewardship.
- **Sustainable Procurement:** Greater focus on embedding sustainability criteria in procurement decisions.
- **Public Accountability:** Annual reports must include clear, quantitative sustainability performance metrics accessible to Parliament and the public.

Ready to subscribe to our monthly ESG updates?

Never miss an ESG reporting policy and regs update! Get our free monthly tracker with the latest regulatory insights and reporting guidance delivered straight to your inbox.

Subscribe for free



About us

Founded in 2012, Acclaro aims to empower organisations to stay ahead in an evolving world. Our mission is to help organisations maximise their performance by improving their environmental and social outcomes, and support them to achieve zero carbon and positive social impact.

- We **dismantle the complexities** around governance, compliance and targets so you can focus on your core business.
- We help you to **define and build your decarbonisation and social impact strategies**, establishing the processes, structures and frameworks that will help you meet your goals today, and achieve more ambitious ones tomorrow.
- We work with you to **embed sustainable thinking** at the heart of your company culture, driving long-term resilience and positive financial impact.

ACCLARO ADVISORY

Our Services

Responsible Business

A responsible business integrates environmental and social responsibility into its core values for all stakeholders. At Acclaro, we guide you in instilling this mindset across your organisation; an approach that’s applicable to private, public, and voluntary sectors alike.

Double Materiality | Sustainability Strategy | Nature and Biodiversity | Social Value | Reporting

Climate and Net Zero

In a world increasingly shaped by the effects of climate change, transitioning to a net zero business model is crucial to ensure long-term viability of a business. Embracing this shift not only helps companies build resilience against climate-related risks but also positions them for long-term success in a rapidly changing regulatory and market landscape.

Carbon Impact | Net Zero Roadmap & SBTi | Climate Risk & TCFD | Targets & Reporting

Reporting and Compliance

Regulations are evolving, from an operational focus of measuring and reporting, to strategic action and Net Zero. We can help you navigate the growing regulatory landscape to a proactive and strategic approach. Create efficiencies and support market advantage by future proofing your sustainability reporting and compliance.

ESOS | SECR | TCFD | Statement Verifications | ISSB | CDP | CSRD

Disclaimer

The information presented in this document is intended for general informational purposes only and does not constitute legal, financial, or professional advice. While every effort has been made to ensure the accuracy and completeness of the content, Acclaro Advisory makes no guarantees, representations, or warranties regarding its applicability to specific circumstances or compliance requirements.

Users of this material are encouraged to seek tailored advice before making decisions based on the content provided. Acclaro Advisory accepts no liability for any errors, omissions, or outcomes resulting from reliance on this information. This document is subject to change based on updates to regulations, frameworks, or industry standards. For the latest guidance, refer to the relevant governing bodies or official sources.

Version control

Amends made	Date of amends	Framework or Standard amended
Released	January 2025	
Adding ICVCM	February 2025	ICVCM
Adding public sector reporting requirements, updates to EU reporting and ESOS.	March 2025	Public sector reporting section, EU Taxonomy, CSRD, CSDD, ESOS updated.

We help organisations maximise their performance by improving their environmental and social impacts, supporting them to achieve net zero and positive social outcomes.

Find out more: www.acclaro-advisory.com
Get in touch: Website contact form
Email: info@acclaro-advisory.com
Telephone: +44 (0) 118 327 3519