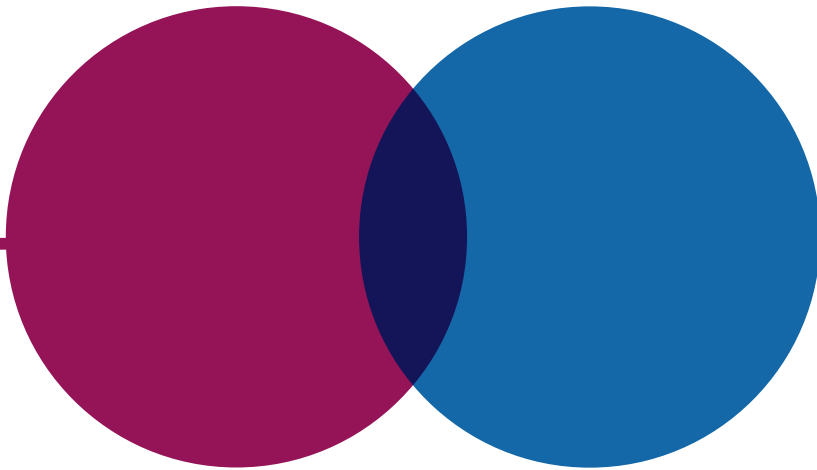




REPORT

Implementation of climate-related reporting in central government annual reports

Cross-government



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National Audit Office

Implementation of climate-related reporting in central government annual reports

Cross-government

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 26 November 2025

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National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

20 November 2025



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This report can be found on the National Audit Office website at www.nao.org.uk

If you need a version of this report in an alternative format for accessibility reasons, or any of the figures in a different format, contact the NAO at enquiries@nao.org.uk

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Key facts

At least 117 3 years

estimated number of bodies in central government required to prepare climate-related disclosures

phased implementation period of climate-related reporting into central government annual reports, from 2023-24 to 2025-26

We circulated a survey to the public sector bodies we audit, including departments, arm’s-length bodies and government companies. Of bodies that responded to our survey:

- 94%** (of 36 respondents) consider climate-related risk to be relevant to them
- 61%** (of 36 respondents) consider climate change to be a principal risk or a component of other principal risks
- 82%** (of 34 respondents) identified physical climate-related risk to their estates as being relevant to them
- 79%** (of 34 respondents) identified physical climate-related risk to workforce and service delivery as being relevant to them
- 50%** (of 34 respondents) identified the risk that their climate policy or strategy fails to reach net zero as being relevant to them
- 35%** (of 34 respondents) identified transition climate-related risk of changing demand for public services as being relevant to them

Summary

1 The current and future impacts of climate change on people, the economy and the physical environment create risks that affect public and private sector organisations. The UK government has legal commitments to reach net zero greenhouse gas emissions by 2050, and to respond to the effects of climate change. The government has an important role to play in managing climate-related risks, both in its own estates and operations and in ensuring climate resilience and decarbonisation across the economy.

2 Central government is implementing new annual reporting requirements, aligned with the Task Force on Climate-related Financial Disclosures (TCFD), to provide transparency and accountability on climate-related issues. TCFD reporting has been mandated for certain types of organisations in the UK private sector since 2021, and its primary purpose is to help investors assess companies' resilience to climate-related risks and make informed decisions on where best to invest their money. In central government, Parliament and other senior decision-makers similarly need practical, relevant information on climate-related risks and how they are being managed to safeguard long-term value for money. This includes ensuring the long-term resilience of public service delivery in the context of climate change, and judging where and when to invest constrained resources.

3 HM Treasury (HMT) is introducing TCFD-aligned disclosure requirements into central government annual reports to align climate-related reporting with the private sector. The disclosures are being phased in over three years from 2023-24, with graduated increase in the level of detail. Organisations with material climate-related risks should produce their first full set of disclosures in their 2025-26 annual reports. The UK was among the first nations globally to introduce an internationally recognised framework of climate-related disclosure into annual reporting in central government. It builds on existing reporting such as the Greening Government Commitments framework, which has been at the core of government sustainability reporting since 2011.

Scope of this report

4 We examined the progress central government has made implementing TCFD-aligned reporting, including an early look at the potential value it might have, and risks to its efficiency and effectiveness. This report draws out learning from the early phases of implementation, with a view to informing the phases to come. This report sets out:

- climate-related reporting in the UK (Part One);
- progress so far implementing TCFD-aligned reporting in central government (Part Two); and
- the experience of central government bodies preparing TCFD-aligned reporting (Part Three).

5 This report covers some of the actions public bodies have taken to prepare TCFD-aligned disclosures, and the ways in which this process has affected their understanding of the potential impacts of climate change and how they manage climate-related risks. It is not intended to be a good practice guide to TCFD disclosures themselves, nor to provide supplementary guidance to that produced by HMT.

6 TCFD-aligned disclosures are included within annual reports, which we review as part of our audit of central government financial statements. Under the current regime, auditors check that required disclosures have been made and are consistent with the financial statements and the auditor's knowledge of the organisation, but do not directly test the underlying information. The Department for Business & Trade has recently consulted on introducing an assurance regime for sustainability reporting in the private sector. HMT is monitoring these developments and starting to consider what assurance may be required in the public sector in future. We did not examine these areas as part of this study.

Key findings

The value of TCFD to public bodies

7 **TCFD-aligned reporting has potential to deliver significant benefits to public bodies, and those that have begun to engage with the substance of the framework have found the exercise valuable.** HMT identified several intended benefits of TCFD-aligned reporting in central government, including improved accountability and transparency on climate-related issues to support better decision-making across government. Public bodies told us that the exercise of using the TCFD framework to prepare their disclosures has increased senior engagement with climate-related issues and helped them improve their understanding of climate-related risks, strengthen financial management and identify potential cost efficiencies. For example, the Ministry of Justice told us that gathering the data required to support its disclosures on climate-related risks and opportunities helped to strengthen business cases ahead of the 2025 Spending Review (paragraphs 2.2 to 2.5, 3.2 to 3.11, and Case Study 4).

8 Since 2023, many central government bodies preparing TCFD-aligned disclosures have begun re-examining and strengthening their approach to climate-related risks. Applying the TCFD framework in a public sector context requires bodies to consider a broad range of climate-related risks that may affect them, from potential operational impacts to their ability to achieve their policy aims, as well as the government's efforts to reduce emissions. Public bodies told us they have conducted new risk assessments and better understood the range and severity of the climate-related risks they face, going beyond the boundaries of existing reporting frameworks. For example, the Department for Work and Pensions performed a risk identification exercise involving functions from across the department. This enabled staff to consider the breadth of potential climate-related risks it faced, including risks of climate change increasing levels of vulnerability in society, leading to increased demand on public services and welfare. Assessing the impact of complex, interdependent climate-related risks will require improved skills across government functions and, in some cases, external expertise (paragraphs 2.22, 2.26, 3.7 to 3.9, and case studies 1, 3, and 4).

9 TCFD-aligned reporting adds to a range of other sustainability reporting in government, but brings a new strategic focus on climate-related issues most important to public bodies. Climate-related reporting in annual reports supports individual organisations to be transparent and monitor their performance on climate-related issues. TCFD-aligned disclosure broadens sustainability reporting in annual reports to considerations beyond central government estates and operations. The existing system of climate and environment reporting in government is complex at both national and organisational levels, with a range of different reporting requirements serving different purposes (Figure 7, paragraphs 1.21 to 1.26, 2.9 to 2.13).

Oversight, accountability and continuous improvement

10 Central government bodies need to make their own assessment of how significant climate-related risks are to them, in the context of their strategic objectives and the other risks they are managing. For example, the Ministry of Defence's 2021 sustainability strategy responds to the risk that climate change poses to peace and stability globally and recognises that forces may need to adapt to fighting in more hostile physical environments. HMT has mandated TCFD-aligned reporting for central government and adapted the TCFD framework for a UK public sector context, but central government bodies are responsible for the quality of their own disclosures and the climate-related risk management processes that underpin these disclosures. As with the rest of the annual report and accounts, these responsibilities ultimately rest with each body's Accounting Officer (paragraphs 2.3, 2.17, 2.23 to 2.27, and Case Study 4).

11 HMT has made a good start with supporting the implementation of TCFD-aligned reporting, but has not yet set out what support or monitoring will continue beyond 2026. HMT has provided significant support to preparers through guidance and bespoke support, and networks of preparers across government have successfully supported each other and shared good practice. However, this support has not reached some preparers, and HMT does not yet have a formal plan for oversight and support beyond the initial implementation period (paragraphs 2.14 to 2.16 and 3.13 to 3.15).

12 It will take several more years for climate-related disclosure to mature, and central government bodies are unsure about the full scope of climate-related factors to assess and disclose. The final phase of the central government implementation period will complete in 2025-26. Many central government bodies are re-evaluating their exposure to climate-related risks and designing their governance response accordingly. Even bodies who were well set up to respond to TCFD will require continued effort to reach the point where their disclosures will be a useful tool to support scrutiny and decision-making. There is a risk that the maturity of TCFD-aligned reporting in central government is further delayed by a lack of clarity among some bodies about the full scope of climate-related factors they should assess (paragraphs 2.22 to 2.27).

TCFD-aligned disclosure preparer experience

13 We found examples of emerging good practice that have helped public bodies respond to the new requirements more successfully. In particular, climate-related reporting has worked best when there is an integrated response across government professions – such as finance, sustainability, risk and policy – as well as clear senior ownership of the risks and disclosures (paragraphs 3.17 to 3.18 and Part Three case studies).

14 Public bodies we interviewed that have made most progress with their TCFD-aligned disclosures have invested time and resource into developing skills and improving disclosures over time. This reflects the complexity and novelty of the subject matter, and skills and capability gaps across government. Other public bodies told us they experienced challenges interpreting the guidance and collecting the data they need to complete the more complex reporting requirements. HMT expects that, after initial investment by preparer organisations, central government bodies' disclosure responses should be proportionate to their exposure to climate-related risk (paragraphs 1.20, 3.4, 3.12 to 3.15, 3.17 to 3.18, and Figure 9).

Recommendations and enablers

15 We have identified a series of enablers that would be helpful for public bodies implementing TCFD-aligned reporting. These enablers are based on the experiences of those bodies that have been more successful in the early stages of their journey with the TCFD framework (**Figure 1** overleaf, and paragraph 3.18). We have also made recommendations to HMT and other key central departments to help improve accountability and support to preparer bodies for any future sustainability reporting.

Recommendations for HMT and other central departments:

- a** As public sector sustainability reporting continues to develop, the Department for Environment, Food & Rural Affairs, the Department for Energy Security & Net Zero and HMT should explore further practical steps to, where appropriate, align and simplify different reporting requirements. This should minimise duplication for reporting bodies, agree the rationale for intentional divergences where reporting has different purposes, and ensure that sustainability disclosure in annual reports is accessible and useful for scrutiny by Parliament and other stakeholders.
- b** Before the HMT Government Financial Reporting team withdraws from its role leading provision of TCFD guidance for central government, it should agree a plan – with clear roles – for ongoing monitoring and support, as required, for the development of high-quality TCFD-aligned reporting. This plan should include other HMT teams and bodies that may provide support in future (such as the Government Finance Function, the Government Actuary's Department, and the Government Internal Audit Agency).
- c** To improve the roll-out of any future sustainability reporting requirements HMT leads, it should:
 - strengthen processes for communicating the rationale for sustainability reporting changes to senior stakeholders at preparer bodies;
 - ensure relevant guidance and training materials are easy to access in one place and are made available to functions beyond finance, to support a shared understanding; and
 - ensure that the Financial Reporting Advisory Board has the expertise it needs to support its role overseeing the development of future reporting requirements.

Figure 1

Emerging enablers of success for bodies preparing Task Force on Climate-Related Financial Disclosure (TCFD)-aligned disclosures

Based on our review of central government bodies we identified seven enablers that have supported bodies to make a good start on TCFD-aligned reporting

	Enablers	Bodies preparing TCFD-aligned disclosures are likely to find the exercise more valuable if they ...
 Preparing TCFD-aligned disclosures in central government bodies	Ownership by an appropriately senior stakeholder	Ensure there is an identified senior stakeholder (individual or committee) responsible within the organisation for their approach to climate-related risk, including the sufficiency and accuracy of TCFD disclosures. Overall responsibility should sit at the most senior level appropriate to the significance of climate-related risk, with responsibility for risk identification, assessment and ongoing control delegated as necessary.
	Considering a broad range of climate-related risks	Consider a broad range of physical, transition and public sector climate-related risks that might be relevant to them, not limited to the scope of existing reporting, such as Greening Government Commitments. For public sector bodies, risks relating to the resilience of service delivery or achievability of their decarbonisation targets may be most material.
	Considering relevant material opportunities	Consider material opportunities as well as risks, where relevant, when designing their climate-related risk management systems and processes, as this can improve internal engagement on climate issues and help manage benefits realisation. Climate-related opportunities are unlikely to be as significant as climate-related risks for most public sector bodies, and bodies should avoid presenting an unfairly positive outlook in their disclosure.
	Assessing the resilience of core strategic objectives to climate change	In assessing which climate-related risks are most material to the organisation, consider the resilience of their core strategic objectives to the impacts of climate change.
	Collaborative and cross-functional working	Establish collaborative working between the different functions who oversee work most relevant to TCFD-aligned reporting. Successful climate-related reporting requires an integrated response across government professions, such as finance, sustainability, risk, policy and delivery.
	Capability and access to external expertise	Assess whether they have the internal expertise required to perform climate-related risk identification, assessment and scenario analysis. Where they identify gaps, bodies should identify opportunities for targeted training, draw on external expertise where appropriate and look for ways to share knowledge, good practice and resources across government to build collective capability.
	Integrating climate considerations into business-as-usual processes	Work towards integrating climate considerations into their business-as-usual governance and risk management processes.

Notes

- 1 These enablers are not intended to be formal recommendations or a checklist.
- 2 These enablers were identified through our engagement with a range of central government bodies that are advanced (relative to others) in TCFD-aligned reporting, particularly those bodies we have used as case studies in Part Three.

Source: National Audit Office analysis of interviews and evidence received from central government bodies

Part One

Climate-related reporting in the UK

1.1 This part sets out the types of risk that organisations face related to climate change, and how climate-related reporting is intended to provide transparency on how they are assessing and managing those risks.

1.2 The government has long-term, legally binding obligations to reduce greenhouse gas emissions and respond to climate change. The Climate Change Act 2008 commits the government to a five-yearly cap on emissions to mitigate climate change. In 2019, Parliament updated the Act to require a reduction in emissions to 'net zero' by 2050. This requires cutting emissions substantially from current levels, with emissions after 2050 needing to be equal to or less than what is removed from the atmosphere by the natural environment or carbon capture technologies. The government's legal targets link to multiple international treaties it has signed, and are part of efforts to contribute to and encourage wider global change.

Risks and opportunities associated with climate change in the UK

1.3 The UK faces multiple significant climate-related risks that are assessed every five years by the Climate Change Committee in its Independent Assessment of UK Climate Risk (**Figure 2** on pages 12 and 13). This provides a UK context for the chronic global risks driven by climate change. The World Economic Forum identifies significant risk of extreme weather, ecosystem collapse, and natural resource shortages, all predicted to deteriorate significantly over the next decade.

1.4 There are also opportunities associated with transition to a low carbon economy. For example, the Department for Energy Security & Net Zero (DESNZ) estimates that its Clean Power 2030 mission could require £40 billion of investment annually (2024 prices) from 2025 to 2030. Investing to make the UK a leader in clean energy industries presents opportunities for the UK in economic growth, job creation and greater energy supply chain resilience.

Figure 2

Climate-related risks and opportunities facing the UK by urgency score, 2021

The Climate Change Committee's 2021 Climate Change Risk Assessment identified and assessed 61 climate-related risks affecting the UK

N1 Risks to terrestrial species and habitats	N2 Risks to terrestrial species and habitats from pests, pathogens and invasive non-native species (INNS)	N4 Risk to soils from changing conditions, including seasonal aridity and wetness	N5 Risks to natural carbon stores and sequestration from changing conditions	N6 Risks to and opportunities for agricultural and forestry productivity
N7 Risks to agriculture from pests, pathogens and INNS	N8 Risks to forestry from pests, pathogens and INNS	N11 Risks to freshwater species and habitats	N12 Risks to freshwater species and habitats from pests, pathogens and INNS	N14 Risks to marine species, habitats and fisheries
N16 Risks to marine species and habitats from pests, pathogens and INNS	N17 Risks and opportunities to coastal species and habitats	I1 Risks to infrastructure networks from cascading failures	I2 Risks to infrastructure services from river and surface water flooding	I5 Risks to transport networks from slope and embankment failure
I8 Risks to public water supplies from reduced water availability	I12 Risks to transport from high and low temperatures, high winds, lightning	H1 Risks to health and wellbeing from high temperatures	H3 Risks to people, communities and buildings from flooding	H4 Risks to people, communities and buildings from sea level rise
H6 Risks and opportunities from summer and winter household energy demand	H8 Risks to health from vector-borne diseases	H11 Risks to cultural heritage	H12 Risks to health and social care delivery	H13 Risks to education and prison services
B1 Risks to business sites from flooding	B2 Risks to business locations and infrastructure from coastal change	B6 Risks to business from disruption to supply chains and distribution networks	ID1 Risks to UK food availability, safety and quality from climate change overseas	ID5 Risks to international law and governance from climate change overseas that will impact the UK
ID4 Risks to the UK from international violent conflict resulting from climate change	ID9 Risk to UK public health from climate change overseas	ID7 Risks from climate change on international trade routes	ID10 Risk multiplication from the interactions and cascades of named risks across systems and geographies	N3 Opportunities from new species colonisations in terrestrial habitats
N9 Opportunities for agricultural and forestry productivity from new species	N10 Risks to aquifers and agricultural land from sea level rise, saltwater intrusion	N15 Opportunities for marine species, habitats and fisheries	N18 Risks and opportunities from climate change to landscape character	I3 Risks to infrastructure services from coastal flooding and erosion
I4 Risks to bridges and pipelines from flooding and erosion	I6 Risks to hydroelectric generation from low or high river flows	I7 Risks to subterranean and surface infrastructure from subsidence	I9 Risks to energy generation from reduced water availability	I10 Risks to energy from high and low temperatures, high winds, lightning
I13 Risks to digital from high and low temperatures, high winds, lightning	H2 Opportunities for health and wellbeing from higher temperatures	H5 Risks to building fabric	H7 Risks to health and wellbeing from changes in air quality	H9 Risks to food safety and food security
H10 Risks to health from poor water quality and household water supply interruptions	B3 Risks to businesses from water scarcity	B5 Risks to business from reduced employee productivity – infrastructure disruption and higher temperatures	B7 Opportunities for business – changing demand for goods and services	N13 Opportunities to marine species, habitats and fisheries
I11 Risks to offshore infrastructure from storms and high waves	B4 Risks to finance, investment, insurance, access to capital	ID8 Risk to the UK finance sector from climate change overseas	ID2 Opportunities for UK food availability and exports	ID3 Risks to the UK from climate-related international human mobility
ID6 Opportunities (including Arctic ice melt) on international trade routes				

■ More action needed (most urgent) ■ Further investigation ■ Sustain current action, watching brief (least urgent)

Figure 2 *continued*

Climate-related risks and opportunities facing the UK by urgency score, 2021

Notes

- 1 The risks and opportunities in this grid are arranged from most to least urgent.
- 2 The identified climate-related risks include risks to the natural environment (N), infrastructure (I), health, communities and the built environment (H), business and industry (B), and risks with international dimensions (ID).
- 3 Each risk has been assigned to a government department, which have each set out the actions they will take to adapt to the impacts of climate change from 2023 to 2028 in the National Adaptation Plan.

Source: Climate Change Committee, *Independent Assessment of UK Climate Risk: Advice to Government For The UK's Third Climate Change Risk Assessment (CCRA3)*, June 2021

Types of climate change risk

1.5 Climate-related risks can be classified into two main categories: physical and transition risks (**Figure 3** overleaf). There are also risks specific (or of greater prominence) to government, because of its policy leadership and oversight role and the value for money risks inherent in any large areas of spend.

1.6 Physical risks relate to the physical impact of climate change on people and infrastructure. These can be sudden acute events such as extreme weather (for example, flooding or wildfires), or long-term chronic issues (including rising sea levels and changes in temperature and rainfall). They can damage infrastructure, disrupt supply chains, harm human and animal health, and contribute to nature loss.

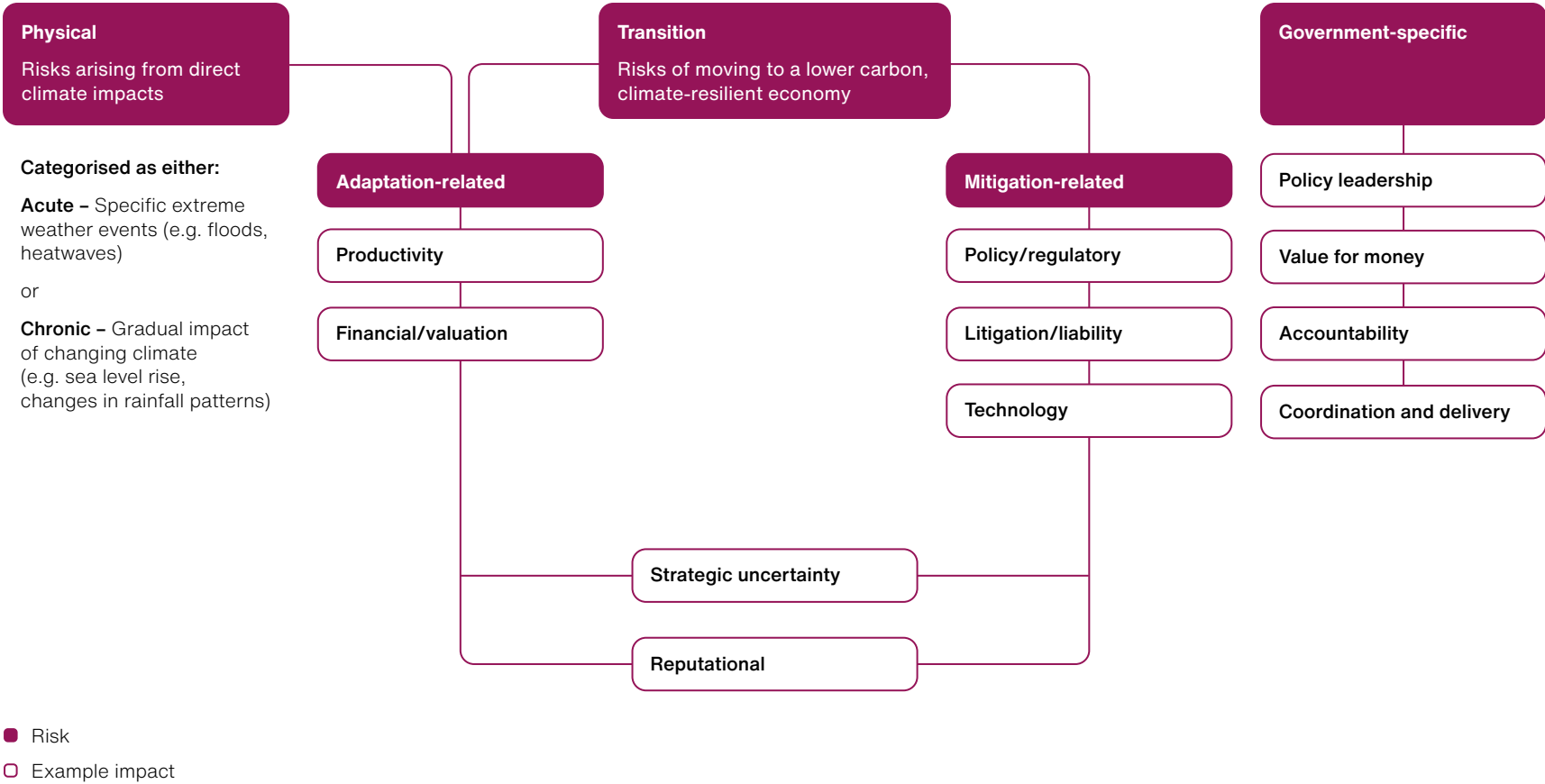
1.7 Transition risks are those associated with transitioning to a lower-carbon and more climate-resilient economy. They include responding to a changing regulatory and policy environment, increased risk of litigation and liability arising from climate change issues, and changes in technology displacing or disrupting existing systems.

1.8 Adaptation risks arise as a result of failing to adapt to physical and transition risks. They can relate to productivity (for example, the summer of 2010, a heatwave caused an estimated £770 million productivity loss), finance (changing value of physical or financial assets), strategy (making long-term spending decisions in the context of a highly uncertain future landscape), and reputation (for failure to adapt successfully).

Figure 3

Types of climate-related risk facing public sector organisations

There are three types of climate-related risks facing public sector organisations: physical, transition and government-specific risks



Notes

- 1 For more information about climate-related risks, see National Audit Office, *Climate change risk: a good practice guide for Audit and Risk Assurance Committees*, August 2021.
- 2 The example impacts within this figure are illustrative.
- 3 Adaptation risks arise as a result of failing to adapt to physical and transition risks.
- 4 Mitigation risks arise due to changes in national and international legislation and regulation intended to decarbonise the economy, as well as changing technology intended to support the transition to net zero. Organisations may need to adapt to these changes in their operating environment or face increased costs.
- 5 Government-specific risks are those that, while not unique to government, may be more prominent given the particular challenges faced by government organisations.

Source: Adapted from National Audit Office, *Climate change risk: a good practice guide for Audit and Risk Assurance Committees*, August 2021

1.9 We surveyed public sector bodies and found that most respondents considered climate-related risks relevant to them. Of 36 respondents, 34 (94%) said climate change was either a principal risk, a component of a principal risk or otherwise relevant to their organisation. When asked about types of risks identified, of those 34 respondents:

- 82% identified physical risks to their estates;
- 79% identified physical risks to their workforce and service delivery;
- 50% identified risks to their climate strategy successfully reaching net zero;
- 47% identified transition risks relating to rising operating costs; and
- 35% identified transition risks relating to changing demand for public services.

Task Force on Climate-related Financial Disclosures

1.10 In 2015, the international Financial Stability Board (FSB) established the Task Force on Climate-Related Financial Disclosures (TCFD) to recommend types of information companies should disclose to support investors, lenders and insurance underwriters in appropriately assessing and pricing climate-related risks. These recommendations were published in 2017 and form a framework for organisations to identify and disclose climate-related risks and opportunities. The framework has four thematic areas, covering the governance, strategic impact, and risk management of these issues together with associated metrics or targets (**Figure 4** overleaf).

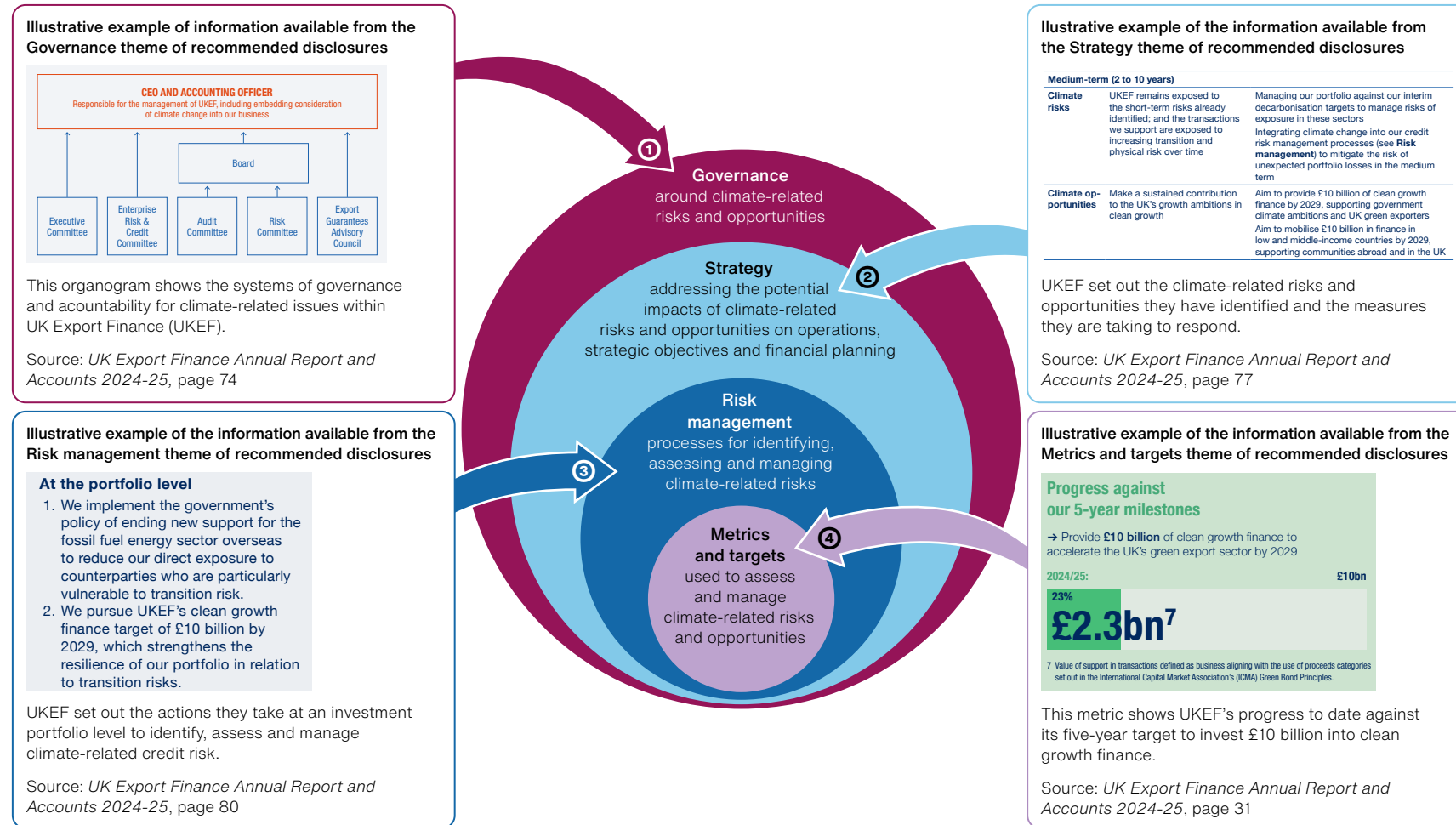
TCFD-aligned reporting in the private sector

1.11 In the private sector, the TCFD framework recommends that companies disclose climate-related risks and opportunities with a potential impact on their future financial position and performance, where these impacts are material to stakeholders' decisions. It is intended to help companies more effectively evaluate climate-related risks to their business and support better long-term strategic planning. It also addresses threats to financial stability and the wider economic system, since mis-priced assets and mis-allocated capital can make markets vulnerable to sudden corrections.

Figure 4

The four thematic areas of Task Force on Climate-Related Financial Disclosures reporting

The Task Force on Climate-related Financial Disclosures (TCFD) recommended disclosures are structured around four thematic areas, moving from overall governance arrangements to performance reporting against specific objectives



Note

- 1 The illustrative examples in this figure come from UK Export Finance's (UKEF's) 2024-25 Annual Report and Accounts. UKEF was the first government department to fully implement the TCFD recommendations. Introducing TCFD-recommended disclosure in 2021 was part of UKEF's overall change programme aiming to make its activity – providing loans, guarantees and insurance to support exports – more resilient to climate change.

Source: National Audit Office analysis of recommendations of the Task Force on Climate-related Financial Disclosures and UK Export Finance Annual Report and Accounts 2024-25

1.12 In November 2020, the government announced its intention to mandate climate disclosures by large companies and financial institutions across the economy by 2025, making the UK the first G20 country to do so. HM Treasury (HMT) set out a roadmap for coordinated action by a joint taskforce including the then Department for Business, Energy & Industrial Strategy (BEIS), the Department for Work & Pensions (DWP), and the Financial Conduct Authority (FCA).

Key milestones (**Figure 5** on pages 18 and 19) include:

- DWP mandated TCFD-aligned reporting for pension schemes with assets of over £5 billion in 2020-21 and over £1 billion in 2021-22;
- BEIS mandated TCFD-aligned reporting for certain types of companies and limited liability partnerships, including companies with over £500 million turnover and more than 500 full-time equivalent employees, in 2022-23; and
- between 2021 and 2024, the FCA phased in TCFD-aligned reporting for listed companies, regulated pension providers, life insurers and asset managers.

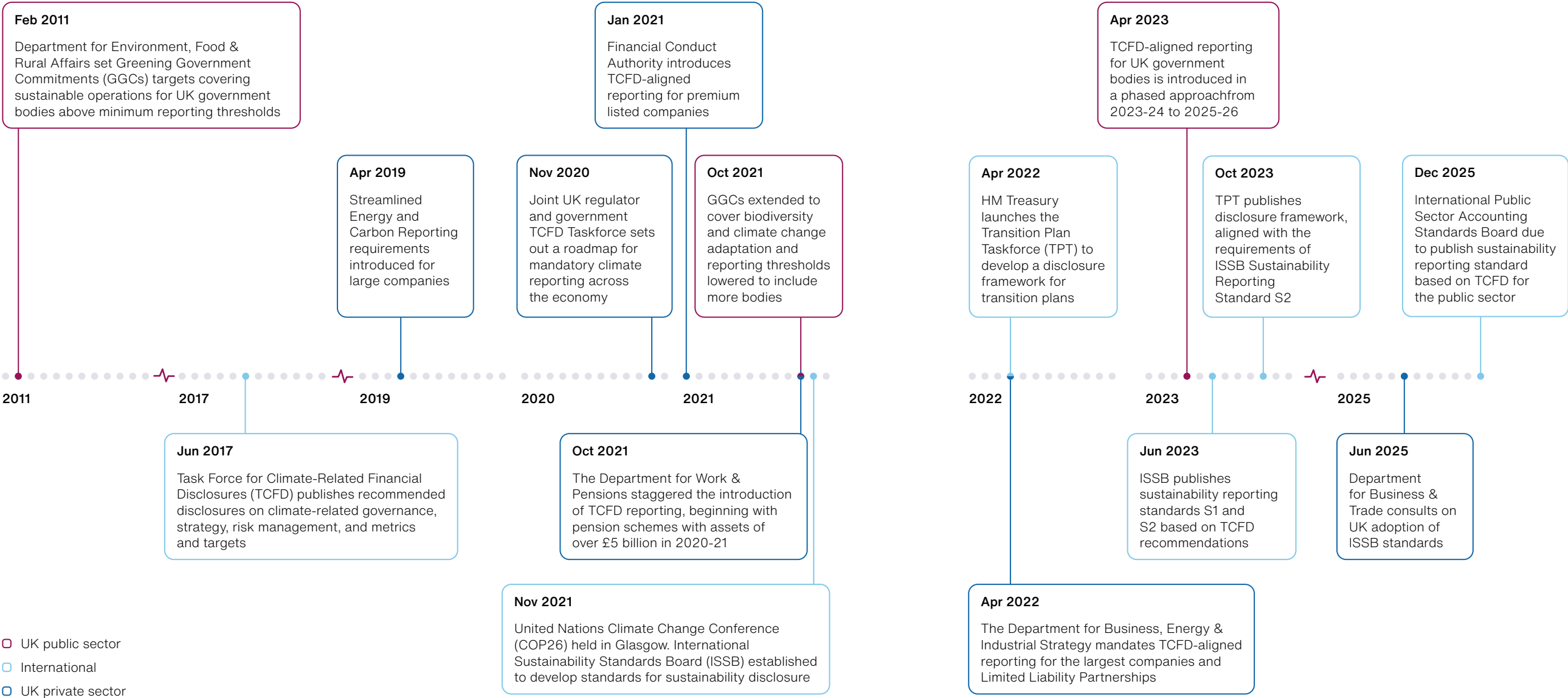
1.13 TCFD-aligned reporting has been widely adopted in jurisdictions around the world. The recommendations have also been incorporated into other climate disclosure frameworks and standards, including the International Sustainability Standards Board standards, and European Sustainability Reporting Standards.

1.14 The government's overall aim for TCFD in the private sector was better managing risks of climate change, mitigating its negative impacts and supporting economic transition to a low carbon future through improving the quality and extent of climate-related reporting. As financial services are so significant to the UK economy, the UK is highly exposed to climate-related risks relating to investments and insurance. The government therefore intended for TCFD-aligned reporting by large and listed companies to improve their understanding of climate-related risks, efficiency of capital allocation, and the resilience of the UK economy.

1.15 Since implementing TCFD-aligned reporting in the UK, key reported benefits include increased senior and board-level engagement, better risk management and decision-making, and improved access to capital. Some companies have reported positive impacts on their financial management, such as more accurate asset valuation and improved forecasting. For example, one listed company collected detailed energy use data to reduce utilities bills and support their climate-related disclosures.

Figure 5
Key developments in sustainability reporting, 2011–2025

Sustainability reporting requirements in the UK for the private and public sectors have expanded and the pace of change has accelerated since 2020



Notes

1 This timeline represents significant changes in climate-related annual reporting that are most relevant for the implementation of TCFD-aligned reporting in the UK public sector. This is a complex landscape and some developments, for example in the financial services sector, are not shown here.

2 This timeline includes developments in international standards that are relevant to the context of the UK public sector, but that are not currently requirements in the UK public or private sectors.

3 Between 2010 and 2024, listed commercial companies with equity shares were classified by the Financial Conduct Authority's listing rules as either "standard" or "premium" depending on the requirements they met. The listing rules cover a range of financial disclosure and governance requirements. From July 2024 the Financial Conduct Authority amended these rules to create a single listing category for UK commercial companies.

Implementing TCFD-aligned reporting in UK central government

1.16 Central government affects the environment and climate because of the land and estates it uses, the people it employs, the private markets it procures goods and services from, and the impacts of its policy delivery and regulation on the wider economy.

1.17 The UK has been a global leader in mandating TCFD-aligned reporting in the public sector. After the government published plans for TCFD-aligned reporting for large companies in 2021, HMT developed plans for UK central government implementation. We estimate that at least 140¹ public bodies that we audit are mandated to prepare some form of TCFD disclosure, including 117 central government bodies required to follow HMT's TCFD-aligned disclosure guidance.

1.18 To support preparers in implementing the new framework, HMT decided to phase TCFD-aligned reporting into central government annual reports over three years, starting in 2023-24. HMT based this approach on the experience of private sector implementation, in which disclosures were mandated all at once but developed and met a greater proportion of the requirements over time. HMT's phased approach asks for more detailed and complex disclosures each year as reporting matures (**Figure 6** on pages 21 and 22).

- Phase 1: compliance statement and narrative description of governance, plus existing reporting of greenhouse gas emissions reduction metrics.
- Phase 2: qualitative disclosures about risk management, plus additional relevant climate-related metrics and targets.
- Phase 3: qualitative and quantitative disclosures about strategy, including financial impacts, and scenario analysis modelling the resilience of the organisation's strategy.

1.19 HMT adapted TCFD guidance for use in a UK public sector context. The TCFD disclosure recommendations were originally designed primarily to support informed decision-making about capital allocation by investors in the private sector. The recommendations are principles-based, and therefore adaptable to different sectors and contexts. In revising the recommendations for government, HMT considered that offering flexibility in reporting against the framework was likely to be more effective than a detailed prescriptive approach. The sustainability reporting landscape internationally is also rapidly changing. HMT considered TCFD a good foundation should requirements develop further in the future, allowing preparers to build on existing structures and capability.

¹ Of the 414 annual reports audited by the NAO in 2024-25, based on NAO and publicly available data, we estimate that 140 met the thresholds for mandatory TCFD-aligned disclosure. We expect that some central government bodies not audited by the NAO will also need to complete TCFD-aligned disclosure, particularly larger commercial entities.

Figure 6

HM Treasury’s phased implementation of Task Force on Climate-related Financial Disclosure (TCFD)-aligned reporting into central government annual reports, 2023-24 to 2025-26

The four thematic areas of TCFD-aligned disclosure are being implemented into central government annual reporting over a three-year timeframe

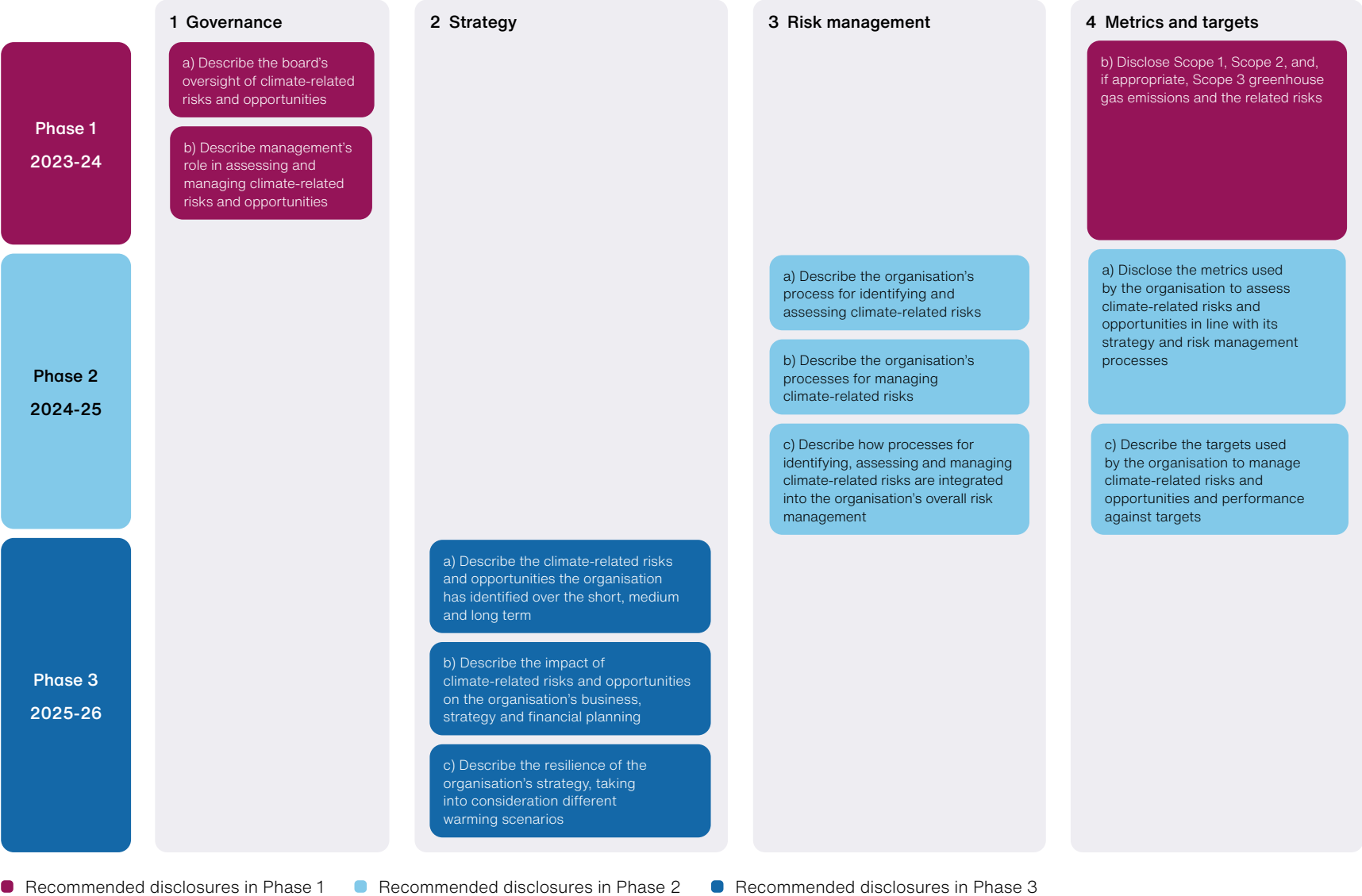


Figure 6 *continued*

HM Treasury's phased implementation of Task Force on Climate-related Financial Disclosure (TCFD)-aligned reporting into central government annual reports, 2023-24 to 2025-26

Notes

- 1 Central government bodies fall within the mandatory scope of TCFD-aligned reporting if they are a ministerial or non-ministerial department, or another central government body with more than £500 million income or more than 500 full-time equivalent employees.
- 2 All bodies mandated to include TCFD-aligned disclosure must report on governance, risk management, and Scope 1 and 2 greenhouse gas emissions. Disclosures on strategy, other metrics and targets, and Scope 3 greenhouse gas emissions are required only if climate change is a principal risk or otherwise material.
- 3 Scope 1 greenhouse gas emissions are direct emissions from sources owned or controlled by the organisation itself; Scope 2 greenhouse gas emissions are from consumption of purchased electricity, heat or steam; Scope 3 greenhouse gas emissions are all other indirect emissions.

Source: National Audit Office analysis of HM Treasury documentation

1.20 HMT's guidance asks reporting entities to "disclose material financial and non-financial information needed to understand their performance and accountability." This includes climate-related topics with a significant impact on an organisation's operations, financial planning or strategy, taking into account its policy remit and whether it has significant influence on climate change. Bodies should consider the interests of their primary user, which for central government is typically Parliament, in deciding what is material. HMT also introduced an additional materiality criterion designed to ensure reporting is proportionate to, and driven by, climate-related risk. This is primarily defined in terms of whether climate is a principal risk, or a component of a principal risk, but organisations should also consider whether climate-related issues might be material in other ways. This criterion means that more complex and quantitative disclosures are only required when an organisation has determined that climate-related risk is material. Judgements on the materiality of climate-related risk can be complex, require expert risk assessment and evolve over time, but they mean that the disclosure effort required should be proportionate to how important climate-related issues are for an organisation.

Other climate-related reporting in the UK public sector

1.21 TCFD is not the only climate-related reporting in government. Other forms of sustainability reporting relate to public bodies' contribution to decarbonisation and response to the impacts of climate change. Organisation-level disclosures sit within a broader landscape of national climate-related reporting that helps the government monitor progress towards statutory climate change mitigation and adaptation goals.

National-level climate change reporting

1.22 To help manage the reduction in emissions required to reach net zero by 2050, the government sets five-yearly carbon budgets setting out what the UK can emit in each period. The government measures progress towards decarbonisation targets with reference to the Greenhouse Gas Inventory, a national statistics dataset published annually by DESNZ. The Inventory fulfils national and international reporting requirements, including measuring progress against Climate Change Act 2008 targets and a breakdown of emissions from individual sectors such as buildings, transport and power.

1.23 The Climate Change Act 2008 also introduced the Adaptation Reporting Power, which enables the government to direct infrastructure providers to report on current and predicted effects of climate change on their organisation's functions. This applies to certain types of private sector organisations and arm's-lengths bodies of central government. The monitoring data collected by the Department for Environment, Food & Rural Affairs (Defra) supports the government and the Climate Change Committee's biennial assessment of progress in adapting to climate change in the UK and five-yearly technical assessment of national climate risk.

Organisation-level reporting on climate change in central government

1.24 Most central government bodies are subject to statutory sustainability reporting through their annual reports and accounts, in accordance with HMT's Government Financial Reporting Manual. HMT views sustainability reporting as "increasingly vital" in enhancing transparency, accountability and preparedness for climate-related risks and ensuring progress towards the government's environmental and sustainability commitments.

1.25 TCFD-aligned disclosure sits alongside other forms of climate-related reporting (**Figure 7** on pages 24 to 26). For example, HMT issues Sustainability Reporting Guidance setting out the standards underpinning sustainability reporting in central government annual reports, which includes reporting against certain key Greening Government Commitments (GGCs).

1.26 Since 2011, the GGCs have set actions to help government departments and agencies reduce their environmental impact. Defra has overall responsibility for the GGC framework, with targets set by policy owners in different departments. According to Defra, one purpose of the GGCs is to ensure the government leads by example in contributing to national targets under the Environment Act 2021 and Climate Change Act 2008. The GGCs include a range of environmental performance measures, including biodiversity, waste and resources and water usage. On climate change, the GGCs require that in-scope bodies:

- conduct a climate-related risk assessment and develop a linked climate change adaptation action plan for estates and operations; and
- reduce greenhouse gas emissions from historic baselines, based on targets agreed between DESNZ and individual departments, and report against these.

Figure 7
Climate-related reporting in central government

Task Force on Climate-Related Financial Disclosure (TCFD)-aligned reporting adds a strategic focus on broad climate-related risks and organisational resilience to annual reports in central government

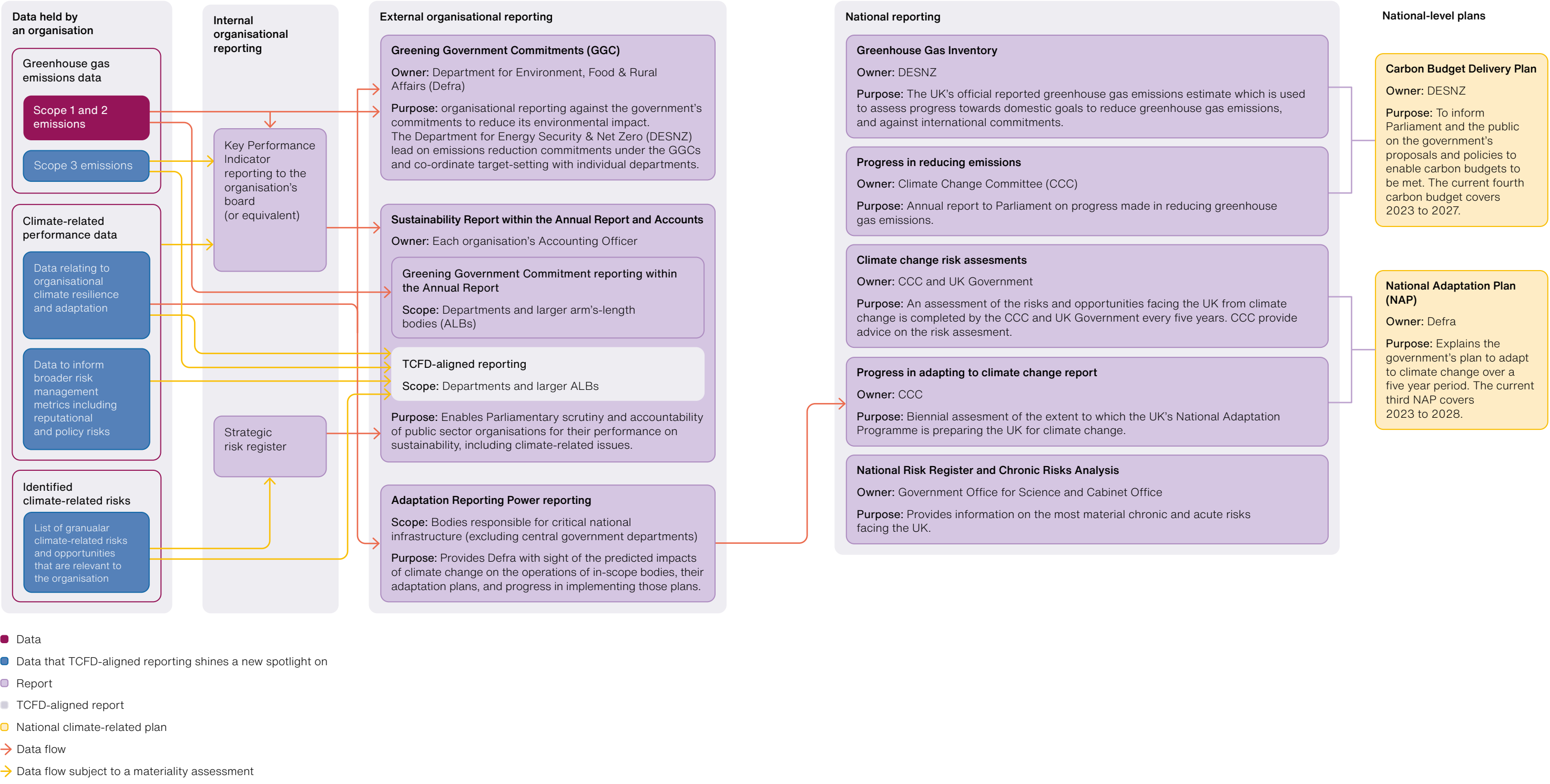


Figure 7 *continued*

Climate-related reporting in central government

Notes

- 1 The required narrative disclosure and climate-related performance metrics to be included in central government sustainability reports are mandated by HM Treasury's Sustainability Reporting Guidance which is updated annually.
- 2 Under the 2021 to 2025 Greening Government Commitments (GGC), bodies are required to conduct a climate change risk assessment and develop a linked climate change adaptation action plan for their estates and operations. The focus of annual GGC reporting is on reducing impact on climate and the environment. New GGC metrics are due to be published for the period 2025 to 2030.
- 3 The UK's overall progress towards net zero is measured through the UK Greenhouse Gas Inventory which is owned by the Department for Energy Security & Net Zero. This is used to monitor performance against the UK Carbon Budget and international commitments. Organisation-level emissions data from the public sector does not feed directly into this reporting.
- 4 Private sector bodies responsible for critical infrastructure, such as airports, are also required to report to the Department for Environment, Food & Rural Affairs (Defra) under the Adaptation Reporting Power.
- 5 The government committed to reporting annually on cross-government progress against the GGCs. In the reporting period 2021–2025, Defra published one report containing cross-government GGC data for the period April 2021 to March 2024, in February 2025. The only annual public-facing reporting of progress has been that in individual government department annual reports.
- 6 Bodies are in scope of TCFD if they are a central government department or have more than £500 million income or more than 500 full-time equivalent employees.
- 7 Scope 1 greenhouse gas emissions are direct emissions from sources owned or controlled by the organisation itself; Scope 2 greenhouse gas emissions are from consumption of purchased electricity, heat or steam; Scope 3 greenhouse gas emissions are all other indirect emissions.
- 8 It is possible for an organisation to apply for an exemption from complying with the GGCs. Criteria can be found at: Department for Environment Food & Rural Affairs, *Greening government commitments: reporting requirements for 2021 to 2025*, December 2022.
- 9 Under the Climate Change Act 2008, the Climate Change Committee completes an independent assessment of the UK's climate-related risks and opportunities every five years. This informs the UK government's Climate Change Risk Assessment. The UK government and devolved administrations must then set out their response in the National Adaptation Plan.

Source: National Audit Office analysis of publicly available documents

Part Two

Progress implementing TCFD-aligned reporting in central government

2.1 This part sets out HM Treasury's (HMT's) aims for Task Force on Climate-related Financial Disclosure (TCFD)-aligned reporting in central government, its approach to introducing it and providing support to central government bodies, and progress so far across government.

Purpose of TCFD-aligned reporting in central government

HM Treasury's aims

2.2 While TCFD reporting was originally designed for the private sector, climate-related information is also valuable for users of public sector financial information. HMT considers climate-related information important for transparency and accountability. It also helps Accounting Officers manage climate-related risks and opportunities and support the resilience of organisational strategy and public service delivery.

2.3 HMT told us it sees TCFD as a disclosure framework that, by reporting on the management of climate-related risks and opportunities, helps embed climate thinking throughout an organisation. HMT did not explicitly aim for TCFD-aligned disclosure to improve underlying climate-related risk management processes, because it expects central government bodies to use existing principles-based guidance on risk management and stewardship (such as Managing Public Money and the Orange Book guide to managing risk). HMT considered there was no need for concurrent changes to the Orange Book specifically to address TCFD.

2.4 HMT identified specific benefits it expected from central government TCFD-aligned reporting, including:

- improved accountability on climate-related issues;
- greater transparency around climate-related risk and governance;
- improved decision-making and long-term strategic planning on climate issues;
- embedding climate-related thinking in organisations; and
- improved strategic oversight of climate-related issues across government.

2.5 HMT is responsible for setting reporting requirements for central government and works with other relevant authorities, such as local government and NHS trusts, to harmonise requirements across the public sector. It considered that TCFD could promote a single framework for otherwise fragmented sustainability reporting across the public sector. Its introduction also allows some level of comparability across the public and private sectors.

Other potential benefits of TCFD

2.6 TCFD-aligned reporting reinforces other UK government policies and approaches aimed at achieving net zero and increasing resilience to climate change. In particular:

- evaluating climate- and environment-related risks and impacts, which is required for TCFD disclosures, is increasingly expected to be incorporated into central government's planning and spending decisions;
- by including climate-related information in the financial reporting cycle, information on climate-related risks is subject to scrutiny by the board and Accounting Officer at least annually, which is likely to help improve the management of climate-related risks and raise the profile of climate-related issues in the organisation; and
- TCFD has potential for wider systemic improvements to managing climate change at a national level. The Climate Change Committee told us that widespread reporting of climate risks and adaptation plans, building on TCFD, across the private and public sectors could become a useful source of information about plans for, and progress with, climate adaptation.

Design of the reporting framework

2.7 As the standard setter for annual reporting in central government, HMT led the introduction of TCFD-aligned reporting in the UK public sector by mandating disclosures for departments and larger arm's length bodies and providing application guidance. HMT consulted with and sought feedback from a range of stakeholders in developing its approach. Its adaptation of the original framework and development of guidance was also monitored and supported by the Financial Reporting Advisory Board (FRAB), an independent board providing advice on public sector reporting to HMT, the Scottish, Welsh, and Northern Irish governments, and local government. FRAB's membership includes representatives from central and local government, auditors and parliamentary observers, and independent members including from other regulators and the private sector.

2.8 In adapting TCFD for the public sector, HMT took steps to ease implementation for preparers. These included a phased introduction of the disclosure requirements, the option to explain rather than comply, amending reporting thresholds to suit the public sector context, and an additional materiality criterion linked to assessment of principal risks (**Figure 8**). These measures acknowledge that preparing TCFD-aligned disclosures was likely to be initially challenging for many bodies, and that it would take time for reporting to mature.

Figure 8

Adapting climate-related reporting for the public sector

In adapting the Task Force on Climate-related Financial Disclosures (TCFD) for the public sector, HM Treasury (HMT) took steps to ease implementation and ensure the framework was appropriate for central government

Feature of TCFD-aligned reporting in central government	HMT's adaptation
Phased introduction	Implementation was phased over three years, to support organisations in building up their disclosures and capability over time. In our survey of central government bodies, of 33 respondents who prepare a TCFD disclosure following the HMT TCFD-aligned disclosure guidance, 76% agreed this made good disclosure more achievable.
Materiality criterion	This criterion limits the full suite of disclosures to only those bodies for which climate is a principal risk or otherwise material.
Reporting thresholds	HMT set reporting thresholds for bodies larger than 500 full-time staff members or £500 million total funding on the basis that headcount was likely to be the driving factor as to which bodies were large enough that climate change would be significant to them. HMT included a separate income threshold to capture smaller bodies with, for example, large cash throughflows while also promoting comparability with the private sector.
Comply or explain	Central government bodies above the reporting thresholds must make the required disclosures or explain why they are not doing so. HMT plans to keep this option available at least for the medium term. HMT expects that bodies can use the 'explain' option to set out current progress and work towards full compliance over time, to encourage disclosures that are transparent about challenges rather than try to obfuscate them or aim for surface level compliance only.

Source: National Audit Office analysis of results from survey of Taskforce on Climate-related Financial Disclosures preparers and review of HM Treasury public and internal documents

Alignment of TCFD with other sustainability reporting frameworks

2.9 When implementing TCFD, HMT considered its alignment with other frameworks and other reporting requirements for public sector bodies. As set out in Part One (Figure 7), government bodies are required to report climate-related information under several frameworks, with different purposes both within and outside annual reports. While climate-related risk and resilience are central to several forms of organisation-level reporting, the aims, requirements, and bodies within scope of these reporting requirements vary significantly. HMT sets the reporting requirements for central government annual reports and accounts, including sustainability reporting guidance. Central government sustainability reports are also used to disclose performance against key operational sustainability targets to Parliament, including the emissions reduction targets set as part of Greening Government Commitments (GGCs). There is a complex reporting picture across government, built from a patchwork of partially overlapping climate-related data.

2.10 HMT, DESNZ and the Department for Environment, Food & Rural Affairs (Defra) have a shared view that, as they serve different purposes and audiences, these different reporting frameworks will continue to be needed. Defra consulted on requirements for Adaptation Reporting Power (ARP) reporting in 2023, and found that stakeholders were broadly supportive of ARP and TCFD continuing for distinct purposes. In particular, while ARP focuses on physical climate-related risks, TCFD addresses physical and transition risks and their financial and strategic implications. Respondents to the consultation also called for greater alignment between the two regimes. As sustainability reporting continues to evolve, there may be scope for further alignment between frameworks.

2.11 HMT aims to minimise duplication and increase consistency in reporting where possible, and it has worked with DESNZ and Defra to consider the alignment of TCFD with other frameworks. For example, HMT made changes to 2025-26 guidance to streamline sustainability reporting in annual reports. Key changes include:

- removing the mandatory requirement to report all GGC metrics in the annual report;
- reducing minimum reporting requirements to five key metrics, relating to emissions reduction (Scope 1 and Scope 2), carbon offsets, waste management and water consumption, unless other metrics are deemed material by the organisation; and
- extending 'comply or explain' to cover all sustainability reporting in annual reports, not just TCFD.

2.12 Similarly, HMT intended TCFD-aligned reporting guidance to facilitate simplified and efficient reporting of greenhouse gas emissions, and it intentionally aligned requirements with other standards and guidance. The emissions reporting requirements for TCFD add to, but do not duplicate, existing requirements, with the most challenging Scope 3 emissions (and other emissions beyond the scope of existing requirements, such as overseas emissions) required only if material.

2.13 DESNZ does not use organisation-level emissions data, such as those disclosed through TCFD-aligned reporting, to track progress against public sector targets or towards carbon budget contributions. DESNZ told us that the level of data verification and capability support needed to ensure accurate and reliable data would be burdensome across the public sector and would not be a proportionate use of resource given its existing ability to track progress at sector-level through the Greenhouse Gas Inventory.

Training, support and oversight

2.14 The HMT Government Financial Reporting team provided significant training and support to preparers of TCFD-aligned reporting, including:

- a range of in-person and online training events for finance, sustainability, and risk leads;
- dedicated training for Finance Directors and for specific departments;
- regular updates through the Sustainable Finance Network for the finance profession;
- regular sessions at the annual Government Finance Function conference;
- working with other bodies that produce their own training resources; and
- bespoke support to individual preparers and organisations.

2.15 The main ways in which HMT promotes good reporting are through its application guidance and reviews of best practice. HMT has published TCFD-aligned application guidance in three phased instalments since 2022-23. HMT published Good Practice Reporting Guides for 2023-24 and 2024-25 and will publish further good practice guidance for 2025-26. HMT's reviews of good practice for TCFD-aligned disclosures bring together examples of disclosure good practice with common challenges and how to address them. Both forms of guidance are circulated through government finance channels and published on the gov.uk website.

2.16 While HMT has made a good start in providing guidance and support, particularly doing so in advance of an internationally recognised standard for the public sector, it has not yet set out what support will be available in the future or how quality will be monitored. HMT's Government Financial Reporting team told us it does not currently plan to continue providing support beyond 2026, but recognised that, for most central government bodies, reporting will not be fully mature by then and there may be a need for ongoing training. HMT expects that other forms of support will fill the gap, potentially including other entities in the wider system supporting annual report disclosures, such as the Government Finance Function, the Government Internal Audit Agency and the Government Actuary's Department.

Monitoring and improvement

2.17 HMT has mandated climate-related disclosures and led guidance for central government, but it does not have a role in holding bodies to account for the quality of their disclosures or the adequacy of underlying risk assessment processes. As with the rest of the annual report, Accounting Officers are responsible for the quality and compliance of disclosures, and for the adequacy and sufficiency of the governance and risk management controls supporting them.

2.18 There is currently no central entity providing oversight or accountability on the expected minimum quality of TCFD disclosures in the public sector. HMT relies on the transparency and accountability mechanisms inherent to annual reports to ensure compliance and quality. Unlike financial reporting, there is not yet a mature assurance regime for sustainability information and, to date, Parliamentary scrutiny of sustainability information included in annual reports has been limited. HMT expects that TCFD-aligned reporting will be scrutinised within the system of Parliamentary accountability but has had limited engagement with Parliament to advance this.

2.19 Our analysis of 2023-24 and 2024-25 annual reports found disclosures to be of variable quality. Quality issues are to be expected in early years of implementation, as preparers are learning what good will look like, but it is not currently clear what the corrective feedback loop is, beyond HMT's provision of guidance. Common issues so far have included:

- a lack of transparency around how significant climate-related risks are, which of the TCFD recommendations have been complied with, and what organisations still need to do;
- disclosures being overly long and not sufficiently focussed on areas that are most material;
- disclosures being inconsistent with other parts of the annual report;
- poor connection of metrics reporting back to the identified risk; and
- boilerplate language copied from the guidance.

2.20 TCFD disclosures in government annual reports are not currently subject to mandatory external assurance. Under the current regime, auditors check that all required disclosures have been made and that the information provided is consistent with the financial statements and with the auditor's knowledge of the organisation, but do not directly test the underlying climate-related information itself or the associated metrics or data.

2.21 The sustainability reporting and assurance landscape is continuing to evolve rapidly. Many private companies already obtain assurance over all or part of their sustainability disclosures on a voluntary basis, and the government has recently consulted on developing an oversight regime for assurance of sustainability disclosures in the private sector. HMT told us it will maintain its leadership role, supported by FRAB, in relation to future sustainability reporting in central government annual reports and accounts. HMT plans to review the landscape in 2026, to consider whether to develop any further reporting requirements.

Risks to TCFD-aligned reporting achieving its potential value

2.22 Assessing how climate change will affect the continued operation of any organisation is complex and uncertain. There is inherently additional complexity in the public sector because government bodies' climate-related risks could encompass some or all of the following:

- the need to decarbonise their own operations as part of the government's legal commitment to net zero;
- the need to influence decarbonisation in the broader sectors for which they have policy responsibility;
- the physical and transition risks of climate change to critical infrastructure, the continued delivery of public services and policy outcomes;
- the physical and transition impact of climate change on the sectors they influence; and
- the need to safeguard long-term public value for money as government makes significant spending decisions to respond to climate-related risks, in the context of other chronic risks the government is also managing.

2.23 Assessing each type of risk can be complex, even for larger bodies with more resource and internal sustainability and modelling expertise. Many bodies we spoke to were not clear which risks fell within the scope of TCFD-aligned reporting. Preparers were uncertain about how to assess the materiality and then quantify and disclose the impact of a broader range of climate-related risks, or whether they should be aligned with other national-level reporting such as National Adaptation Plan risks. The challenge of collecting data to assess the materiality of broad cross-cutting risks – such as the impact of climate change on the sectors a department supports – is much more complex than the estates-focused reporting under the GGCs that most of government is accustomed to.

2.24 After the TCFD implementation period concludes in 2025-26, it is likely to take several more years for a system of high-quality climate-related disclosures to fully mature. Increased management attention is leading central government boards to re-evaluate – and often refresh – their identification of climate-related risks and design their governance response accordingly. For many bodies, this exercise is still underway. Public bodies will require continued effort to reach the point where they can gather the data they need to quantify the potential financial impact of their most material risks, and to enable TCFD-aligned reporting to be a useful scrutiny and decision-making tool. Even without precise financial estimates, public bodies could benefit from qualitative analysis to explore their risks and inform their strategy and decision-making, which may be more appropriate for some risks.

2.25 Our past work on risk management has found variation in the capacity, capability and maturity of risk management across government. HMT did not fully assess, at the outset, how many bodies would fall within the scope of TCFD requirements, nor whether bodies had the skills, capacity or pre-existing climate-related risk assessment and governance processes to support TCFD-aligned reporting. HMT has sought to assess readiness informally through sessions run by the Government Finance Function and a survey of central government bodies, but it does not know how many will have to complete the more complex Phase 3 disclosures, which depend on an organisation's own principal risk and materiality assessments.

2.26 Identifying and prioritising climate-related risks will often require skills and expertise from multiple functions including sustainability, finance, risk, policy and delivery. For bodies with material climate-related risks, quantified scenario analysis may also require specific climate modelling expertise. Senior leadership and public sector decision-makers will also need sufficient understanding to engage with the technical and uncertain information included in sustainability disclosures, alongside other risks. Without integrated governance arrangements and cross-functional capability, TCFD-aligned disclosures are at risk of being superficial. Cross-cutting risks, especially transition risks, may go unrecognised or unaddressed.

2.27 Unless and until sustainability reporting is subject to external assurance, there is also a risk that disclosures present an unfairly positive view, or greenwash, the performance of central government bodies. While Accounting Officers have a responsibility to ensure that annual reports are fair, balanced and understandable, without external scrutiny public bodies may not be sufficiently motivated to focus concisely on the most relevant information to users. This would reduce the effectiveness of TCFD-aligned disclosures in providing greater transparency and accountability.

Part Three

The preparer experience of implementing TCFD-aligned reporting

3.1 We engaged with a range of public bodies we audit as preparers of Task Force on Climate-related Financial Disclosure (TCFD)-aligned reporting. This part sets out our findings in relation to:

- the value that preparers have identified from engaging with the TCFD framework;
- the challenges they have encountered so far or expect in future; and
- emerging good practice and factors that have enabled successful engagement with the TCFD framework.

Value of the TCFD framework reported by preparers

3.2 In our survey of public bodies, respondents provided their perspective on the impact of TCFD-aligned disclosures on public sector annual reports. Of the 33 respondents preparing a TCFD disclosure following the HM Treasury (HMT) TCFD-aligned disclosure guidance:

- 64% agreed that TCFD-aligned reporting was beneficial to their organisations' management of climate-related risks; and
- 58% agreed that the exercise of bringing together the information needed for TCFD-aligned reporting was useful.

Respondents told us they had identified climate-related opportunities as a result. For example, 12 respondents identified opportunities relating to improving resource and energy efficiency. Other opportunities identified include technological innovation and co-benefits for nature.

3.3 We also spoke to preparers from 21 government bodies in interviews and focus groups, including early adopters, who identified several benefits of implementing TCFD-aligned reporting. Key benefits included increased senior engagement and knowledge of climate-related issues, improved understanding and shared language across their organisation, and better strategic risk management. Many practices reinforced by adopting the TCFD framework are similar to approaches we have previously found lead to effective risk management, including establishing a strong leadership culture, building capability and expertise, and taking a forward-looking and whole-system view of interdependent risks.² Effective risk management is key to promoting resilience, safeguarding policy objectives, and protecting value for money now and in the future.

3.4 Across the government bodies we spoke with, engagement with the TCFD framework varied. Some had seriously considered the challenges posed by the framework and undertaken detailed work to support their disclosure. Others had engaged more superficially with the framework, treating their TCFD disclosure as a compliance exercise in the annual report. While the level of disclosure and analysis should be proportional to the significance of climate-related risk to the organisation, generally we observed that bodies that engaged with the TCFD framework most substantially and consistently over time reported gaining the most value from the process of preparing their disclosure, including the benefits set out in paragraphs 3.5 to 3.11. Although not pre-requisites, factors including pre-existing expertise or understanding of climate change as a principal risk were reported to have eased implementation for some bodies.

Senior engagement and strategic focus

3.5 Many organisations reported increased senior leadership and board engagement with climate-related issues resulted from implementing TCFD-aligned reporting, improving the quality of strategic oversight and addressing some gaps in governance and capacity. Our survey asked TCFD preparers about actions they have taken since implementing TCFD. Of the 33 respondents following HMT TCFD-aligned disclosure guidance, 17 respondents (52%) said they held regular discussion of climate-related risks at the board, out of which 12 respondents said they had begun these conversations since 2023. An additional 13 respondents (39%) said they were in the process of implementing these discussions or planned them for the future. This indicates progress since our 2021 good practice guide on climate change risk for Audit and Risk Assurance Committees (ARACs) when our survey found that while 81% of ARAC Chairs considered climate-related risks relevant to their organisation, only 30% said they were discussed at least annually.

2 National Audit Office, *Overcoming challenges to managing risks in government: Good practice guide*, December 2023.

3.6 Using the TCFD framework has allowed organisations to draw together separate but related climate-related work in a more coherent and strategic way. Organisations reported more collaborative working across teams and within groups, which helped them identify and drive effective actions. One body told us that this joined-up thinking helped them develop costed business cases, tying back to overall strategic aims.

Risk management

3.7 Many organisations identified improved management of climate-related risk exposure as a key outcome of responding to the TCFD framework. Focus group participants explained that TCFD-aligned reporting had helped them understand climate-related risk as an issue that directly affected their operations and objectives in the short- and medium-term, rather than solely in terms of their contribution to the government's decarbonisation commitment. Bodies we spoke to were better able to understand the range of climate-related risks beyond estates and operations, from reputational risks to impacts on supply chains, people and training. One organisation used scenario analysis to identify that, under some warming scenarios, its current office site would become unusable.

3.8 Several organisations we spoke to classified, or are considering classifying, climate change as a principal risk for the first time. Our survey found that 61% (of 36 respondents) consider climate change to either be a principal risk or a component of other principal risks. Of the respondents following the HMT TCFD-aligned disclosure guidance, 42% (of 33 respondents) had either recognised climate as a principal risk since the implementation of TCFD-aligned reporting or were in the process of doing so.

3.9 Central government bodies reported that the activities they undertook as part of their response to the TCFD framework helped them embed climate-related risk into existing risk management processes, policy making and financial planning. For example, the Ministry of Defence (MoD) embeds climate-related risk into its business planning. It uses a bespoke methodology to assess the risk of climate impacts on operational capabilities, estates and infrastructure to inform future equipment choices and maintain operational advantage and resilience. MoD told us that having data on the quantified impact of climate-related risk enabled better-informed business decisions, such as prioritising investment in flood resilience for the highest risk buildings where it judged this the most cost-efficient intervention.

Financial management

3.10 TCFD-aligned reporting can help organisations understand how policy objectives are linked to climate-related risks and opportunities, which in turn allows strategic investment decisions to protect taxpayer value. For example, the Ministry of Justice (MoJ) found that TCFD helped provide impetus to quantify climate-related risk, strengthening internal business cases for energy and carbon savings and climate resilience ahead of the 2025 Spending Review. These bids covered investments in energy cost reduction, prison maintenance, flood prevention, mitigation of overheating on the estate and associated security impacts.

3.11 Beyond strategic planning, several organisations have identified financial benefits and cost savings as part of gathering the data to support TCFD-aligned reporting. These include better quantifying the costs of climate-related risks, such as the impact of flooding or excess heat, on day-to-day operations. Departments told us TCFD-aligned reporting has helped them with cost-effective procurement or to find new income streams. For example, one organisation told us their climate risk assessment saved them money when they decided not to renew some leases on properties liable to flooding. Organisations with significant commercial dealings told us their TCFD disclosures helped them work with their supply chain and improved their credibility with the private sector.

Challenges experienced by preparers

3.12 We identified six common challenges from our engagement with TCFD disclosure preparers (**Figure 9**).

3.13 Some public bodies told us that siloed working across relevant professions has limited knowledge sharing and joined-up working. Our survey found that, of 36 responses from public bodies preparing TCFD disclosure, 83% involved their financial reporting team, 81% involved their sustainability team, 61% involved their estates and operations team and 58% involved their risk management team. HMT told us it can be challenging to ensure relevant guidance reaches all teams involved in such a broad-ranging disclosure framework, especially as different organisations involve different professions. Where finance teams are not preparing TCFD disclosures, HMT expects them to share relevant training and resources.

Figure 9

Common challenges faced when preparing Task Force on Climate-related Financial Disclosure (TCFD)-aligned reporting

Six common challenges emerged from our engagement with central government TCFD disclosure preparers

**Skills and capability gaps**

Some preparers told us they lacked internal expertise on scenario analysis, climate risk management and broader sustainability. They expressed concern about the complexity of the scenario analysis and financial impact assessment required for Phase 3.

**Lack of organisational buy-in**

Preparers reported issues engaging risk, finance and sustainability teams in the process of preparing TCFD-aligned disclosure. Board-level engagement was also a challenge for some.

**Accessibility of guidance**

Preparers reported issues related to HM Treasury's written guidance, including that it was overly complex and long, as well as updated too frequently with different versions available on gov.uk. They told us that multiple separate sources of guidance were required to understand and produce the disclosures.

**Data limitations**

Many preparers told us they did not have all the data they needed to complete their disclosures. Some reported data governance and ownership issues; for example, where a shared service provider owned the sustainability data for the buildings a body occupies.

**Timeline constraints**

Preparers viewed the three-year timeline for the implementation of TCFD-aligned reporting as optimistic. Preparers felt that while compliance with the recommendations in a more narrative and qualitative way by 2025-26 might be feasible, high-quality disclosures, especially of the scenario analysis and quantified financial impact, would take longer.

**Resource and budgeting**

Preparers noted that preparation of TCFD disclosures was time and resource intensive, particularly the more complex requirements of Phase 3. Several bodies have commissioned external expertise, but finding resource for TCFD within constrained budgets was highlighted as a challenge by others.

Notes

- 1 The challenges presented in this figure were identified through triangulation of interview, focus group and survey data collected by the National Audit Office (NAO).
- 2 We interviewed officials who are involved in the preparation of their organisation's TCFD-aligned disclosure from 18 government bodies.
- 3 We held focus groups with participants from nine government departments and arm's-length bodies.
- 4 A survey focussing on the experience of officials who are involved in the preparation of their organisation's TCFD-aligned disclosure was sent to all the NAO's audited bodies. We received responses from 33 central government bodies following HMT's TCFD-aligned disclosure guidance.

Source: National Audit Office analysis of interview, focus group and survey data

3.14 While some preparers of TCFD disclosures told us they felt well-supported by HMT, some said they found the guidance itself confusing and hard to engage with. Of the 33 respondents to our survey following HMT TCFD-aligned disclosure guidance, 48% agreed that the guidance was clear on what needed to be included in the disclosures, while 39% disagreed. TCFD is a flexible framework, and in preparing the disclosure guidance, HMT needed to balance being prescriptive about what disclosures central government bodies must complete with the need for bodies to make their own assessment about what is most important to their strategic objectives and risk assessments. Several bodies – particularly smaller bodies with few physical assets for whom climate could be less relevant – told us they would like clearer guidance on minimum reporting requirements.

3.15 Preparers have set up informal support networks to share tips and best practice, including a group convened by the Government Actuary's Department (GAD) and one led by MoJ of 12 departments and arm's-length bodies. MoJ told us this group was originally established for peer support among potential early adopters of TCFD disclosures in 2022-23 but grew rapidly over time.

Emerging good practice

3.16 We interviewed a range of public bodies to help us understand factors that have helped them engage with the TCFD framework more successfully to-date. The bodies we interviewed were all at different stages of working towards mature climate-related reporting.

3.17 The case study boxes at the end of this part set out illustrative examples of how some bodies have made a good start with TCFD-aligned reporting and how the activities they have undertaken to prepare for TCFD have helped strengthen governance and risk management processes (case studies 1-5). All those we interviewed for emerging good practice had a sustainability team leading their engagement with TCFD, and some had started developing their approach to climate-related risk and reporting before HMT began publishing their TCFD-aligned disclosure guidance. These examples are not an exhaustive list of bodies across government engaging well with TCFD-aligned reporting. Our review focused on actions that bodies have taken rather than the quality of their disclosures; HMT publishes its own good practice guides on sustainability disclosure.

3.18 The themes emerging from these examples show that the bodies that have engaged most successfully have:

- appointed an appropriate internal senior sponsor to own climate-related risks and TCFD disclosures;
- considered a broad scope of physical and transition climate-related risks relevant to them as public bodies;
- considered potential climate-related opportunities as well as risks;

- prioritised and assessed the materiality of their identified climate-related risks in the context of their overall strategic objectives;
- brought together skills from across their functions and professions, particularly sustainability, finance and risk;
- identified any gaps in skills and brought in appropriate external expertise where required; and
- integrated climate-related risks into their governance and risk management processes.

These themes are reflected in the enablers in Figure 1.

3.19 Public bodies we interviewed or who participated in our focus groups shared tips that had worked for them:

- incorporating climate-related issues into existing roles (not just sustainability and finance) and into standards for day-to-day business activities;
- undertaking qualitative scenario analysis for the types of risks where quantified estimates are not available or appropriate;
- supporting ARACs and boards to hold deep dive discussions on potentially material risks;
- understanding that TCFD-aligned reporting is a journey, managing expectations and setting out an internal roadmap;
- focusing on the most important things to the public body's objectives first; and
- looking across the organisation to understand what information is already available and building up from there.

Case Study 1

Department for Work & Pensions (DWP)

Since 2023, DWP has implemented dedicated governance arrangements to manage climate-related risks. DWP does not consider climate change a principal risk as these have tended to focus on near-term delivery risks. DWP is currently developing an overarching sustainability strategy. Before implementing TCFD-aligned disclosure, DWP's sustainability reporting focused on progress against the Greening Government Commitments, and sustainability-related policy activity.

Bringing together skills from across functions and professions

Implementing TCFD raised the profile of broader climate-related risk with the DWP board. The board and senior sustainability leaders recognised that further work was required to assess its exposure to climate-related risk, including transition risks, and identify potential cost savings. DWP performed a 'bottom-up' risk identification exercise, led by its sustainability team, involving representatives from functions across the department including finance, risk, policy, supply chain, operations, estates, and people safety and wellbeing. The risk identification workshops enabled staff to consider the breadth of potential climate-related risks facing DWP, such as climate change increasing levels of vulnerability in society, leading to increased demand on public services and welfare. The workshops also identified climate-related opportunities for DWP to manage, including new job opportunities from net zero transition.

Bringing in appropriate external expertise and transparent disclosure

DWP recognised that further data and expertise was required to assess the significance of its climate-related risks. It commissioned GAD to assist in quantifying the potential financial impact of identified risks. While climate-related risk assessment is ongoing, and while it develops its new sustainability strategy, DWP has explained why climate change is not a principal risk in its annual report disclosures in 2024-25 and included high-level disclosure of its climate-related risk management and governance arrangements. Keeping its disclosures concise and relevant to its developing view of climate-related risk provides transparent and useable information to stakeholders.

Case Study 2

The Crown Estate

As a statutory corporation, The Crown Estate does not follow HMT's TCFD-aligned disclosure guidance.

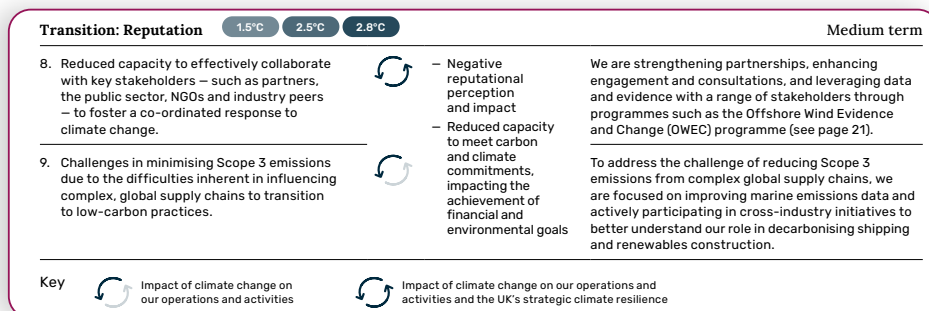
The Crown Estate occupies a unique role between the public and private sectors, balancing four objectives to achieve: financial returns; net zero and energy security; nature recovery and biodiversity; and inclusive communities and economic growth. The responsibility to be a leader in the UK economy on net zero and climate change resilience is therefore central to its activities. The Crown Estate has reported under a TCFD-aligned framework since 2018-19, and first included a full TCFD disclosure in its annual report in 2023-24.

Governance and senior leadership

To prepare for full TCFD disclosure in 2023-24, The Crown Estate appointed a steering committee with Leadership Team and other executive management representatives to embed TCFD recommendations into all levels of operations and drive engagement through the organisation. The steering committee led on the governance arrangements required to support TCFD, as well as owning and approving the disclosures themselves. The Crown Estate told us that having senior engagement has driven effective action to embed climate-related governance and risk management throughout the organisation.

Prioritising risks in the context of strategic objectives

As climate change is so closely related to its strategic objectives, The Crown Estate began with a long list of specific climate-related risks and opportunities it identified. It commissioned expertise to help it prioritise, assisted by quantified scenario analysis. The Crown Estate assessed its risks using a 'double materiality' approach, considering both the impact of climate-related risks on its own operations and the impact of its work on the UK's resilience to climate change. Applying these lenses as part of risk prioritisation helps communicate to stakeholders how The Crown Estate's risk assessment sits within a public sector context.



Case Study 3

Department for Education (DfE)

DfE is responsible for education and children's services in England. Education is the public sector's largest emitter of carbon from buildings. The education estate, comprising state primary and secondary schools and universities, emits 37% of emissions from public sector buildings. Education also reaches millions of children, young people and adults, influencing awareness, knowledge and skills relating to the environment. DfE itself has a small estate compared to other departments and does not own or manage the wider education estate, meaning the associated emissions and environmental metrics are not included within its Greening Government Commitments reporting.

Considering a wide range of risks relevant to a public sector context

Recognising both the environmental footprint and climate-related risk exposure of the education estate, and the policy remit of DfE in improving climate education and green skills, the DfE's TCFD disclosure is not limited to the estates and operations of the core department. Its analysis of climate issues considers the climate-related risk exposure and carbon emissions of the broader education sector by considering the department's risks, governance and metrics through three lenses:

Corporate body lens

Pertaining to the Group itself, predominantly driven by our office estate, including quantified GGC disclosures along with policy statements relating to the Group's own activities.

Education sector strategy lens

Describing our policy aims and activities for the education and children's services system (such as schools) whose activities are not included within the scope of our GGC return, but for which the Department retains policy responsibility.

Education estate lens

Pertaining to the carbon emissions and adaptation responsibilities from education buildings which are equivalent to around one-third of total public sector emissions. These activities are also not included within the scope of our GGC workings, but the Department retains policy responsibility.

DfE told us it intends to embed climate-related risk awareness into its governance, financial and risk management processes so it can become a part of good policymaking. DfE intends to embed Green Book supplementary guidance to assess whether climate-related risk is pertinent to a policy, to ensure its teams consider which climate scenarios will affect policies and generate policy options that are resilient to climate change over time.

Source: Department for Education, *Annual Report and Accounts 2024-25*, page 79. Available at: https://assets.publishing.service.gov.uk/media/687794132bad77c3dae4dc67/DfE_consolidated_annual_report_and_accounts_2024_to_2025__web-optimised_version_.pdf

Case Study 4

Ministry of Defence (MoD)

MoD's Climate Change and Sustainability Strategic Approach (2021) set out the threat that climate change poses to peace and stability globally, through increasing the intensity and frequency of environmental emergencies that amplify resource competition, mass migration, civil unrest and health crises. This strategy sets an ambition that, by 2050, UK defence is adapted to be able to fight and win in ever more hostile and unforgiving physical environments.

Considering and quantifying a range of physical and transition risks

MoD recognises the potential implications of climate-related risks and opportunities beyond those associated with estates and infrastructure, including potential risks posed to operational capability and resilience. To support a holistic understanding of climate-related risks, MoD uses bespoke risk assessment methodology to assess two main types of climate-related risk:

- physical risks at defence sites, including critical infrastructure; and
- transition risks, which it defines as related to socio-economic shifts that affect strategy, operations, infrastructure and reputation.

Recognising its role in its supply chain

MoD recognises both the role defence has to play in government meeting its targets and the environmental impact of defence, and it is working with its supply chain to reduce emissions. MoD's £52 billion expenditure is the third largest in government. MoD is working to fully understand its supply chain emissions, but recognises that these represent a significant portion of overall emissions. It is collaborating with suppliers to understand emission reduction opportunities and challenges within the defence industrial base and contributing to policy development on carbon reduction in procurement.

Managing opportunities

MoD has identified that the net zero transition provides opportunities for long-term cost efficiencies, improved operational capability and resilience. In its 2021 strategy, MoD stated its intention to harness potential operational advantages of clean technologies to retain competitive advantage and be the most capable force possible, and to ensure that equipment can be modified for upgrade as new energy options become viable and cost-effective. MoD has committed to an updated strategic approach focusing on leveraging emerging technologies in energy and the circular economy to mitigate risks and enhance operational resilience.

Case Study 5

Ministry of Justice (MoJ)

MoJ faces climate-related risks to its assets, operations and supply chains, and the health, safety and welfare of employees, prisoners and service users. MoJ recognises its role in reducing its environmental and climate-related impacts and taking opportunities for climate change adaptation, nature recovery and more efficient resource use. MoJ also has a role in contributing to net zero transition, not only through decarbonising its operations but also through taking strategic opportunities such as developing green skills and jobs pathways in prison settings.

Governance, senior leadership and skills

MoJ elevated climate change and sustainability risks to a principal risk in 2022. Since then, it has provided its audit committee with quarterly updates on climate-related risks, trends and control effectiveness. MoJ appointed ministerial and Non-Executive Director champions for climate change and sustainability, both of whom attend the MoJ departmental board. While MoJ had existing climate-related risk governance, TCFD-aligned reporting has led to enhanced oversight and management including introducing annual reporting to the departmental board. MoJ brought in skills from its sustainability function to support its finance team's capability on climate reporting and took steps to upskill the arm's-length bodies in the MoJ group. MoJ also commissioned external experts, including GAD, to help provide capability on climate change risk assessments, flood risk assessment and management, overheating research, and advanced climate scenario analysis.

Embedding climate change considerations into existing processes

MoJ has developed a 'Greener Justice Vision' to articulate how its justice and climate and sustainability objectives align. This has informed the development of a revised Climate Change and Sustainability Strategy, which promotes embedding environmental sustainability in corporate processes such as investment, project delivery, risk management, procurement, and data and analysis. By embedding environmental considerations into corporate processes, particularly in appraisal and decision-making processes, MoJ is developing a more in-depth understanding of its risks, opportunities, constraints and liabilities. MoJ has also begun embedding climate-related risk into its broader governance arrangements with regular risk reporting and frequent deep dive reviews.

Appendix One

Our audit approach

Our scope

1 We examined the progress central government has made so far in implementing Task Force on Climate-related Financial Disclosure (TCFD)-aligned reporting, including an early look at the potential value it might have, and risks to its success. This report draws out learning from the early phases of implementation, with a view to informing the phases to come. The study covered:

- climate-related reporting in the UK;
- progress so far implementing TCFD-aligned reporting in central government; and
- the experience of central government bodies preparing TCFD-aligned reporting.

2 The report covers some of the actions public bodies have taken to engage with the TCFD-aligned disclosure framework and unlock value from it. It is not intended to be a good-practice guide to TCFD disclosures themselves, nor to provide supplementary guidance to that produced by HM Treasury (HMT).

3 TCFD-aligned disclosures are included within annual reports, which we review as part of our audit of central government financial statements. Under the current regime, auditors check that required disclosures have been made and are consistent with the financial statements and the auditor's knowledge of the organisation, but do not directly test the underlying information. The government is consulting on introducing an assurance regime for sustainability reporting in the private sector and starting to consider what assurance may look like in the public sector in future. We did not examine these areas as part of this study

Our evidence base

Methodology

Interviews

4 We conducted 32 online interviews between May and August 2025 with representatives from central government departments and arm's-length bodies, other public sector bodies and wider stakeholders to inform our audit. We obtained a broad range of views from government and across different sectors.

5 In keeping with our aims to identify good practice in this report, the sample of preparer bodies we spoke to was weighted towards larger bodies that are likely to be able to demonstrate emerging good practice, those that are perceived to have engaged well with the TCFD framework such as early adopters of TCFD, or bodies identified in HMT's good practice disclosure guidance. We also interviewed departments that face greater risks concerning climate change and departments with a significant role in delivering net zero or climate change adaptation. Our sample is therefore not a representative cross-section of government bodies, as many of the bodies we spoke to are likely to be further advanced in their TCFD implementation process and climate-related risk assessment than the rest of government.

6 We held semi-structured interviews with the following government bodies:

- HMT: We carried out five interviews with HMT officials who are responsible for designing the implementation and governance of the TCFD phased roll-out.
- Lead departments: We carried out seven interviews with officials from departments with lead policy responsibility for climate change.
 - Department for Environment, Food & Rural Affairs (Corporate Reporting, Green Finance, Adaptation, and Greening Government Commitments teams).
 - Department for Energy Security & Net Zero (Corporate Reporting, Green Finance, and Public Sector Decarbonisation teams).
- Preparers of TCFD-aligned disclosures: We carried out interviews with officials involved in the preparation of their organisations' TCFD-aligned disclosures from a range of central government bodies and other public bodies, including public sector companies.
 - Department for Education;
 - Department for Business & Trade;
 - Ministry of Justice (MoJ);
 - Ministry of Defence;
 - Defence Equipment & Support;
 - Defence Nuclear Organisation;
 - The Crown Estate;
 - Department for Work & Pensions (DWP);
 - BBC;
 - Department for Transport (DfT);
 - Cabinet Office;

- Department of Health & Social Care;
- NHS England;
- British Transport Police;
- UK Export Finance; and
- UK Research and Innovation (UKRI).

We also interviewed a targeted sample of Audit and Risk Assurance Committee chairs from the following bodies:

- DfT;
- DWP;
- MoJ; and
- UKRI.

7 The wider list of government and external stakeholders we interviewed is as follows:

- Two senior level cross-government groups: the Chief Sustainability Officers Group and the Heads of Risk Network;
- Government Finance Function;
- Government Internal Audit Agency;
- Government Actuary's Department;
- The Financial Reporting Council;
- The Climate Change Committee;
- Government Property Agency;
- The Pensions Regulator;
- Institute of Chartered Accountants in England and Wales; and
- Former officials from the Department for Business, Energy & Industrial Strategy.

Focus groups

8 We conducted two focus groups with preparers of central government TCFD-aligned disclosures. The focus groups provided a forum for TCFD preparers to reflect on their organisations' experience of implementing TCFD, and enabled us to compare and contrast this with the experience of other public bodies. The aim of the focus groups was to engage with audited bodies as preparers of TCFD disclosure to draw out examples of the application of TCFD driving value in audited bodies, identify and share what can be learnt about emerging good practice from implementation so far, and understand the preparer experience: what is going well so far, how the information is being used, and the challenges faced.

9 The focus groups sought to understand participants' views on:

- overall experience of implementing TCFD including the benefits and challenges encountered so far/expected;
- changes driven by and/or value of TCFD for central government organisations;
- views on the process, guidance and support on offer; and
- lessons, tips or reflections that could usefully be shared with other preparers.

10 Participants from nine government departments and arm's-length bodies took part, including:

- Cabinet Office;
- Department for Business & Trade;
- Department for Education;
- Department for Environment, Food & Rural Affairs;
- Defence Equipment & Support;
- Ministry of Justice;
- Ministry of Housing, Communities & Local Government;
- The Crown Estate; and
- UK Research & Innovation.

11 The 90-minute discussions were held online via Microsoft Teams in August 2025. Recordings and transcripts of the meetings were taken. The views and examples shared in the discussions were triangulated against other sources of evidence gathered for this report.

Document review

12 We reviewed:

- NAO reports related to financial and risk management, good reporting and disclosure to draw out relevant lessons;
- HMT's Financial Reporting Advisory Board (FRAB) and FRAB Subcommittee minutes to understand the rationale behind TCFD's adoption in the public sector;
- HMT's business case and proposal documents for introducing TCFD to central government;
- HMT's internal documents related to the design, governance and monitoring of TCFD disclosures in the public sector;
- a sample of 2023-24 and 2024-25 Annual Reports and Accounts;
- publicly available documents, such as the National Risk Register, the UK Climate Change Risk Assessment 2022, Climate Change Committee reports, guidance documents on the Greening Government Commitments and Sustainability Reporting Guidance, as well as documentary evidence to support case studies of audited bodies; and
- academic and grey literature on the implementation of TCFD in the private sector to identify lessons from implementation to date. This review sought to identify good practice from the private sector that could be applied to the public sector.

Survey

Purpose and approach

13 We conducted a survey to understand:

- which bodies in central government are completing TCFD disclosures;
- whether climate change is a principal or relevant risk;
- the types of climate-related risks and opportunities that have been identified by organisations;
- any changes that organisations have made to their climate risk governance as a result of the introduction of TCFD-aligned reporting; and
- TCFD preparers' views on the purpose and value of engaging with the TCFD framework.

14 We asked 18 questions. Depending on the responses selected by bodies, the total number of questions a body will have seen will vary. This was to ensure that only relevant bodies were answering questions about their experience of implementing TCFD-aligned disclosure under the Financial Reporting Manual (FReM), with those reporting under other reporting frameworks (such as The Companies Act 2006) being excluded. The presentation of survey data in this report therefore provides the number of respondents that answered each question.

15 We sent the survey to all of the NAO's audited bodies via email. The survey was open from 9 June until 1 September. We asked for one response per audited body which provided a corporate view on behalf of the organisation. While we expected the survey to be completed by bodies' corporate or financial reporting teams, we encouraged bodies to seek views from others in their organisation to inform their response, including:

- sustainability teams;
- relevant policy teams; and
- risk management professionals.

Response

16 We received a total of 43 responses. Of the respondents:

- 27 were from organisations mandated by a reporting framework to complete a TCFD disclosure due to the size and/or nature of the organisation;
- five were mandated by its parent department to complete a TCFD disclosure;
- four voluntarily complete a TCFD disclosure; and
- seven do not complete a TCFD disclosure.

17 We excluded the seven organisations that do not complete a TCFD disclosure from our analysis of the survey results.

18 Of the 36 respondents that complete a TCFD disclosure, 33 prepared their disclosure using the HMT TCFD-aligned disclosure guidance for public sector annual reports. Respondents that were not following HMT TCFD-aligned disclosure guidance for public sector annual reports were excluded from answering questions on their experience of implementing TCFD-aligned disclosure.

19 Of the 36 responses included in our analysis, the breakdown of respondents is as follows:

- 50% were agencies or non-departmental public bodies;
- 19% were ministerial departments;
- 14% were non-ministerial departments;
- 8% were government companies; and
- 8% were other public sector bodies.

20 A notable limitation of our survey is that of selection bias. We sent our survey to all the public bodies that the NAO audits, however participation was self-selecting.

Case Studies

21 Throughout our fieldwork interviews, we sought to identify examples of factors that have helped central government bodies engage with the TCFD framework more successfully to date. The sample of bodies we spoke to was weighted towards bodies who are likely to be able to demonstrate emerging good practice, including those that have engaged well with the TCFD framework (in our professional opinion, and based on feedback from government stakeholders), such as early adopters of TCFD or bodies identified in HMT's good practice disclosure guidance.

22 The bodies we interviewed as potential case studies were at different stages of working towards mature climate-related reporting. We interviewed central government bodies preparing their TCFD-aligned disclosure under the HMT application guidance, and other public bodies which began TCFD reporting earlier due to preparing their TCFD-aligned disclosure under other guidance, including public sector companies.

23 The case studies in Part Three set out illustrative examples of emerging good practice focussing on the actions bodies have taken to help them reach a more mature understanding of their climate-related risks and opportunities and the activities they have undertaken to prepare for TCFD-aligned reporting that have helped strengthen governance and risk management processes. The five case studies were chosen from the bodies we interviewed to illustrate a range of success factors and reported benefits. The chosen case studies do not form an exhaustive list of the bodies we spoke to who demonstrated good practice, nor of bodies across government that are engaging well with the TCFD framework. Our review focused on actions bodies have taken rather than on the quality of their disclosures; HMT publishes its own good practice guides on sustainability disclosures. See:

- HM Treasury, *Good Practice Sustainability Reporting Guide: Climate, Environmental and Sustainability Topics – 2023-24 Annual Reports and Accounts*, April 2025

24 The case studies set out in Part Three drew upon interviews, publicly available information (including departmental sustainability strategies and annual reports and accounts), and documentation provided by the public bodies.

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