

Building momentum for transition plans

Status update from the Transition Plan Taskforce

JULY 2023



An aerial photograph of a fisherman in a blue and yellow shirt pulling a large, white, rectangular fishing net from the water. The net is partially submerged, creating a large, white, irregular shape on the dark green water. The fisherman is in the upper center of the frame, and the net extends towards the bottom right. The water is a deep green color, and the net is a bright white, creating a strong contrast.

CONTENTS

Foreword	3
Executive Summary	4
1. Introduction	5
2. The Global Picture	6
3. The UK Picture	11
4. The TPT Consultation: Key Themes and Outcomes	16
5. Next Steps for the TPT	25
Acknowledgements	29

Foreword by the TPT Steering Group Co-Chairs

There is growing international momentum around private sector transition plans and their vital role in supporting the global shift to net zero across the financial sector and the real economy.

Following the UK's commitment at COP26 to require transition plan disclosure, as an increasing number of firms publish first transition plans, and as shareholders increasingly call for robust plans, a pivot from voluntary action to regulation is occurring. The G7 leaders have highlighted the need for credible transition plans and transition plan disclosure is an expectation in the final standards released by the International Sustainability Standards Board (ISSB) on 26 June 2023. Other jurisdictions, together with a range of multilateral regulatory forums, are actively considering how to regulate transition planning and transition plan disclosure.

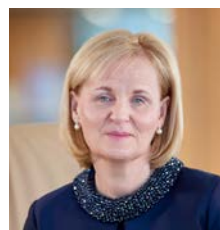
Global momentum requires the creation of international norms, to ensure interoperability, comparability and consistency while minimising reporting costs for firms. The TPT aims to support norm-building by publishing a final Disclosure Framework in October 2023, setting out the key elements of credible and robust transition plans. We have built in international consistency at every step of the way, building on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and ISSB and ensuring consistency with, and drawing on, the Glasgow Financial Alliance for Net Zero (GFANZ) framework for credible, comprehensive and comparable net zero transition planning. The TPT's work programme has been accompanied by substantial international engagement with jurisdictions and multilateral fora to support conversations on the alignment of standards.

The TPT has actively listened to stakeholders and has adapted its work in light of their input. The TPT's consultation launched at COP27 resulted in inputs from many stakeholders across the global

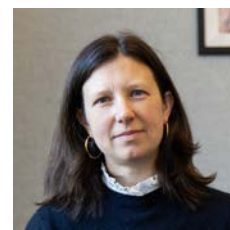
economy. The final Disclosure Framework will benefit from substantial engagement with more than 500 organisations in the UK and internationally, including financial institutions, corporates, civil society and academia. The Disclosure Framework is also informed by TPT Working Groups on nature, adaptation and just transition.

The final Disclosure Framework will be supported by sector-neutral Implementation Guidance and a suite of sector-specific guidance. Updated sector-neutral guidance will be published alongside the Framework and then expanded on over coming months. Sector-specific work will be published for consultation later in 2023 and finalised in early 2024.

Transition plans are the next step in the private sector climate journey. We will continue to support consistency, comparability, credibility and robustness in this journey. We call on firms to start that journey now. By using the drafts we published in November and engaging with our upcoming publications, firms will be able to demonstrate best practice in explaining to their stakeholders how they are delivering on their climate commitments and preparing for net zero.



Amanda Blanc,
Group CEO Aviva Plc,
Co-Chair, Transition
Plan Taskforce



Baroness Penn,
Treasury Lords Minister,
Co-Chair, Transition
Plan Taskforce

Executive Summary

As the Transition Plan Taskforce (TPT) enters the next phase, this document provides a snapshot of key trends on transition planning and an update on the TPT's progress and next steps.

There is growing international momentum around private sector transition plans, both from the private sector and policymakers. Over the last six months alone, G7 leaders have come out in support of private sector transition plans, various international regulatory networks have started work on transition planning, and a rising number of entities have published their first transition plan. This builds on the UNFCCC Race to Zero campaign under which more than 8,300 companies, and over 550 financial institutions globally, have made net zero commitments and are working to set targets and develop transition plans.

The TPT has continued to make progress in fulfilling its mandate to develop a gold standard for transition plan disclosures. At the end of February, the TPT concluded an extensive consultation period, during which it engaged with over 500 organisations, and received over 80 written responses.

The TPT has carefully considered the responses and identified a series of key themes across the vast body of feedback. Overall, respondents strongly endorsed the TPT's proposed Disclosure Framework, emphasising that they expect it will encourage firms to take a strategic approach to managing climate risks, and will result in decision-useful disclosures for users. Respondents also supported the TPT's commitment to building international consistency and coherence. At the same time, respondents noted some implementation challenges and called for further guidance, examples, and case studies. The TPT is taking this feedback into account as it finalises the Disclosure Framework and Implementation Guidance.

Given the strong overall support, key conceptual building blocks of the Disclosure Framework, such as the recommendation that entities should take a **strategic** and **rounded** approach that follows the principles of **Ambition, Action, and Accountability**,

will be retained. The TPT will also make adjustments to the Disclosure Framework in response to feedback received on key implementation challenges and to ensure international alignment.

The final Disclosure Framework will be supported by sector-neutral Implementation Guidance and a suite of sector-specific guidance to support preparers. Updated sector-neutral guidance will be published alongside the Disclosure Framework and then elaborated further over the coming months. Sector-specific work will be published for consultation later in 2023 and finalised in early 2024.

This document sets out:

- The Global Picture
- The UK Picture
- The TPT Consultation: Key Themes and Outcomes
- Next Steps for the TPT

Overall, [consultation] respondents strongly endorsed the TPT's proposed Disclosure Framework

— 1 —

Introduction

In November 2022, the TPT launched its draft Disclosure Framework and Implementation Guidance for consultation. Since then, there has been a growing global momentum behind the concept of transition planning. Over the last six months alone, the G7 has come out in support of private sector transition plans, various international regulatory networks have started work on transition planning, and a rising number of entities have published their first transition plan.



Meanwhile, the TPT has continued to make progress in fulfilling its mandate to develop a gold standard for transition plans. On 28 February 2023, it concluded a consultation on the draft documents launched at COP27. The TPT is grateful to all stakeholders who have taken the time to provide a response. This feedback is being carefully reviewed as the TPT finalises its Disclosure Framework and Implementation Guidance. At the same time, the TPT has started work on sector-specific guidance, launched thematic Working Groups on nature, adaptation and just transition, and engaged in efforts to build international consistency and alignment across the various conversations on transition planning.

Photo: Rafael De Nadai, unsplash.com.



Over the last six months alone, the G7 has come out in support of private sector transition plans, various international regulatory networks have started work on transition planning, and a rising number of entities have published their first transition plan

— 2 —

The Global Picture

There is a growing global momentum surrounding private sector transition plans and their vital role in supporting the global shift to net zero, both in the financial sector and in the real economy. The UNFCCC's Race to Zero campaign, including the member initiatives of the Glasgow Financial Alliance for Net Zero (GFANZ) which was launched in April 2021, has resulted in a significant increase in the global number of companies and financial institutions making net zero commitments and undertaking transition planning to implement them.



Photo: Annie Spratt, unsplash.com.

This year has witnessed substantial movement towards the emergence of regulatory norms for transition plans. In particular, the ISSB finalised its IFRS S1 Sustainability-related disclosure standard and S2 Climate-related disclosure standards, with the latter including an expectation that firms should disclose transition plans.¹

In the EU, there are several regulatory initiatives in which new requirements to develop and/or disclose transition plans are being proposed. Under the Corporate Sustainability Reporting Directive² (CSRD), the European Commission has recently consulted on a draft delegated act to adopt the first set of European Sustainability Reporting Standards³ (ESRS) into their rules on corporate reporting on sustainability-related impacts, risks and opportunities. If passed, this would require companies to disclose their transition plan for climate mitigation, if they have one. Additional mandatory transition planning requirements for large companies are being discussed under the proposed Corporate Sustainability Due Diligence Directive (CSDDD).⁴ Finally, the European Commission has recently proposed a new package of banking regulations (CRR3 & CRD6), which, in its current proposal, would require banking institutions to disclose “concrete plans” to manage ESG risks.⁵

In the US, the Securities and Exchange Commission (SEC) has proposed a draft rule which proposes that public firms should disclose plans where they have adopted them voluntarily under their climate-related risk management strategy.

Japan has committed to developing sustainability standards to implement the global baseline provided by the ISSB, with draft standards expected by 31 March 2024, and final standards by

31 March 2025. This will build on current disclosures where companies listed on the “Prime Market” already have TCFD-aligned climate information disclosures and sustainability disclosures have been required in corporate finance reporting from March 2023.⁶

Singapore has also signalled it will implement ISSB-aligned disclosures on a risk-proportionate basis. The Monetary Authority of Singapore released its Finance for Net Zero Action Plan in April 2023, setting out its strategies to mobilise financing to catalyse the transition, including credible transition plans as a strategic outcome and ISSB aligned disclosures.⁷

The Hong Kong Stock Exchange has recently concluded a consultation on mandating strengthened climate-related disclosures – including transition plan disclosures – to continue its journey to enhance its ESG framework and reflect international standards. These proposals are in line with Hong Kong regulators’ 2020 announcement that climate-related disclosures aligned with the TCFD Recommendations will be mandatory across relevant sectors no later than 2025.⁸

In Australia, the Treasury recently consulted on climate-related financial disclosures for large entities, which included a proposal for transition plan disclosure requirements, including information about offsets, target settings and mitigation strategies.⁹

In New Zealand, the country’s most economically significant entities have begun reporting against Climate-related Disclosure standards, which include a requirement for companies to disclose transition plan aspects of their strategies, starting from 1 January 2023.¹⁰

1) ISSB, IFRS, *Exposure Draft: IFRS S2 Climate-related Disclosures*, March 2022, para. 8.

2) European Union, *Directive 2022/2464 of the European Parliament and of the Council regarding corporate sustainability reporting*, December 2022.

3) EFRAG, *First set of draft ESRS*, November 2022.

4) European Parliament, *Texts adopted – Corporate Sustainability Due Diligence*, June 2023, p50.

5) European Commission, *Proposal for a Directive of the European Parliament and of the Council, COM/2021/663*, October 2021.

6) Japan Financial Services Agenda. *Sustainable Finance*, July 2023.

7) Monetary Authority of Singapore. *MAS Launches Finance for Net Zero Action Plan*, April 2023.

8) Hong Kong Stock Exchange. *Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework: consultation paper*, July 2023.

9) Australia Treasury. *Climate-related financial disclosure: consultation paper*, June 2023.

10) New Zealand External Reporting Board. *Landmark moment in New Zealand’s transition to a low-emissions future*, December 2022.

Global uptake of transition plan requirements

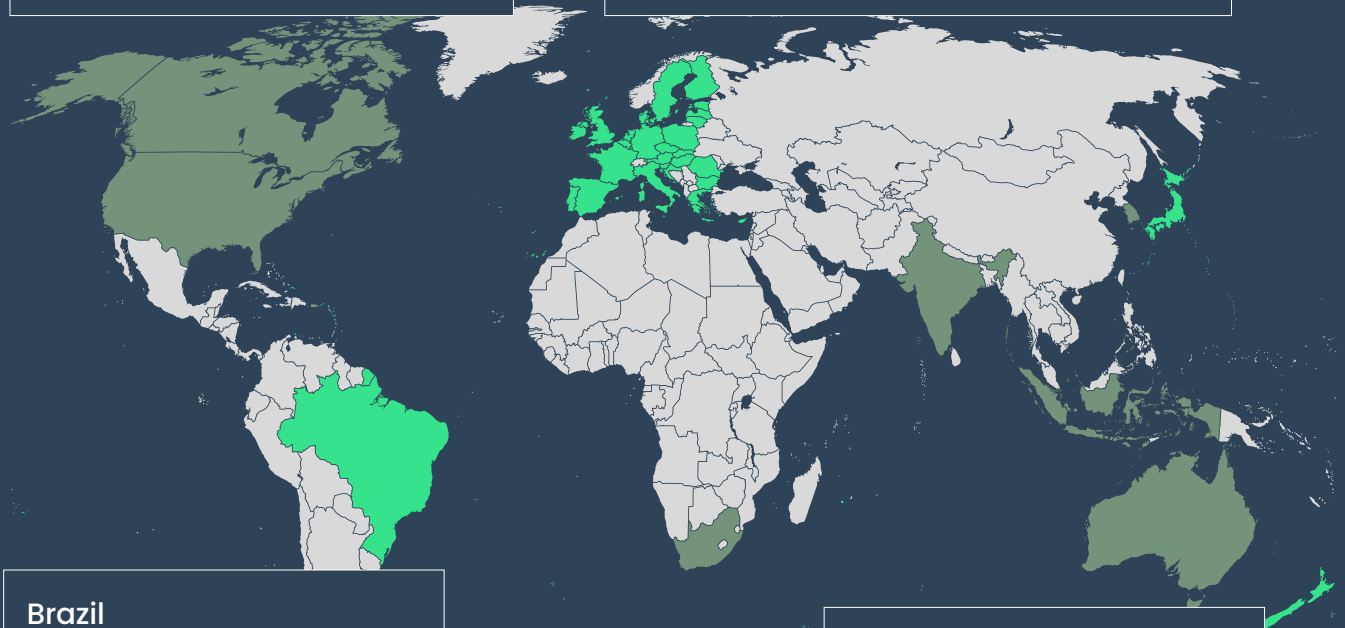
This map provides an indication of transition plan requirements in place or under development across G20 and selected other jurisdictions.

USA

Draft US SEC rule proposes public firms include their transition plan in disclosures where voluntarily adopted as part of the firm's climate-related risk management strategy.

European Union

New requirements to develop and/or disclose climate mitigation transition plans are being proposed under the Corporate Sustainability Reporting Directive (CSRD).



Brazil

Current resolutions mandate that financial institutions should establish a Social, Environment and Climate Responsibility Policy, which must include actions to transition to a low-carbon economy.

Australia

The Treasury recently consulted on climate-related disclosures for large entities, including a proposal for transition plan disclosure requirements.



Under consideration or development



Requirements in place

In addition to the regulatory progress within jurisdictions, transition planning is also increasingly prominent in multilateral forums and international regulatory bodies. In May 2023, G7 leaders highlighted the need for corporates to underpin Paris-aligned, net zero commitments with credible transition plans.¹¹ The 2022 G20 Sustainable Finance Report includes a principle to “disclose up-to-date transition plans, with credible and ideally verifiable, comparable, science-based interim and long-term goals, and timelines for achievement (for example, technical pathways, fund raising and investment plans etc.)” as one of its high-level principles on transition finance,¹² and the G20 Sustainable Finance Working Group has continued to discuss transition plans this year.

Transition plans are also under consideration as a tool in a wide range of multilateral regulatory forums, including the International Organization of Securities Commissions (IOSCO),¹³ Financial Stability Board,¹⁴ Basel Committee on Banking Supervision,¹⁵ Network for Greening the Financial System,¹⁶ International Association of Insurance Supervisors,¹⁷

The 2022 G20 Sustainable Finance Report includes a principle to “disclose up-to-date transition plans, with credible and ideally verifiable, comparable, science-based interim and long-term goals, and timelines for achievement”

Coalition of Finance Ministers for Climate Action, and International Platform on Sustainable Finance.¹⁸ In addition, the UN Secretary General has called for credible and transparent transition plans to underpin private sector climate commitments.¹⁹



Photo: NOAA, unsplash.com.

11) G7, G7 Hiroshima Leaders' Communiqué, May 2023.

12) G20, G20 Sustainable Finance Report, 2022.

13) IOSCO, IOSCO Board Priorities – Work Program 2023–2024, April 2023.

14) FSB, FSB Work Programme for 2023, March 2023.

15) BIS, Basel Committee work programme and strategic priorities for 2023/24, December 2022.

16) NGFS, Stocktake on Financial Institutions' Transition Plans and their Relevance to Micro-prudential Authorities, May 2023.

17) IAIS, Public Consultation on Climate risk supervisory guidance – part one, March 2023.

18) IPFS, Transition Finance Report, November 2022.

19) UN, High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities, November 2022.



Photo: Thomas Richter, unsplash.com.

As these efforts unfold, there is a strong need to establish a common global norm on what constitutes a credible, high-quality transition plan. The TPT is actively supporting efforts to build consensus and avoid the proliferation of different standards.

It does so by ensuring that its recommendations speak to the different use cases of transition plans, and align with, and build from, existing and emerging international disclosure frameworks. The draft Disclosure Framework builds directly on the recommendations provided by both

TCFD and ISSB. The Framework also draws on GFANZ's framework and guidance for credible, comprehensive and comparable net zero transition planning and uses the same core components and structure. This means the TPT Framework and GFANZ "lock together" as part of an aligned, consistent effort to support private sector transition plans.

In addition, the TPT is engaging with non-UK governments and regulatory networks to support conversations on how to build common baselines and principles for transition planning.

— 3 —

The UK Picture

3.1 TRANSITION PLANS IN THE UK

The UK has been a pioneer on climate-related reporting and transition planning. The UK was the first G20 country to make it mandatory for the largest UK-registered companies and financial institutions to provide TCFD-aligned disclosures from 2022.²⁰

Photo: Lawless Capture, unsplash.com.

²⁰ UK Government, UK to enshrine mandatory climate disclosures for largest companies in law, 2021

At COP26, the UK government announced the UK would become the world's first Net Zero-aligned Financial Centre, with transition planning being a core component of this vision. The TPT was launched to develop a gold standard for transition plans to support the development of and make recommendations on the UK's regulatory requirements on transition plan disclosures.

Transition plan disclosures are already provided for in the Financial Conduct Authority's (FCA) rules. Listed issuers are required to make TCFD-aligned disclosures on a comply or explain basis.^{21 22} In doing this, issuers are expected to carry out a detailed assessment of the TCFD's all-sector guidance, which includes that entities should describe their plans for transitioning to a low-carbon economy. Similarly, FCA-regulated asset managers and owners are required to make TCFD-aligned disclosures and take reasonable steps to ensure these disclosures are consistent with the TCFD's all-sector guidance.²³

FCA guidance also encourages listed companies, asset managers and asset owners that are headquartered in, or operating in, a country that has made a commitment to a net zero economy to consider the extent to which they have considered

that commitment in developing and disclosing their transition plans.

The FCA is actively involved in the TPT, and in December 2022 encouraged early engagement with the TPT's proposed Disclosure Framework and Implementation Guidance when making transition plan disclosures in accordance with the TCFD's guidance.²⁴ It expects to consult on strengthening its requirements for transition plan disclosures in line with the TPT Disclosure Framework alongside its consultation on implementing UK-endorsed ISSB Standards. With the TPT Disclosure Framework designed purposefully to integrate with and build from the ISSB Standards, the two are a complementary package.

In the 2023 Green Finance Strategy,²⁵ the UK government also committed to consulting on introducing requirements for the UK's largest companies to disclose their transition plans if they have them. This consultation, expected in the fourth quarter of 2023, will complement the FCA's requirements and ensure consistency in disclosure requirements for listed and large private companies. It will take place after the release of the finalised TPT Disclosure Framework.



At COP26, the UK government announced the UK would become the world's first Net Zero-aligned Financial Centre, with transition planning being a core component of this vision

Photo: Kid Circus, unsplash.com.

21) FCA, FCA Handbook LR 9.8 Annual financial report

22) FCA FCA Handbook LR 14.3 Continuing obligations

23) FCA, FCA Handbook ESG 2.1 Preparation of climate-related reports, 2.1.5R and 2.1.6R(i)

24) FCA Bulletin Primary Market Bulletin 42, December 2022.

25) UK government, Mobilising green investment: 2023 green finance strategy, April 2023.

3.2 ONGOING REFORMS OF CLIMATE-RELATED REPORTING IN THE UK

The TPT's work is taking place in the context of broader reforms to the UK's climate-related disclosure rules.

The 2023 Green Finance Strategy reiterated the UK's support for the ISSB²⁶ and announced the process for formal assessment of the ISSB Standards prior to UK endorsement.²⁷

The ISSB Standards build on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which are referenced in FCA rules and in the Companies Act. The FCA has committed to consulting on adapting its existing climate-related disclosure requirements for listed companies to reference instead of the UK-endorsed ISSB Standards. The government will similarly consider incorporating the UK-endorsed ISSB Standards into company law.

The government is currently conducting a Non-Financial Reporting Review²⁸ to ensure that non-financial reporting is focused, comparable and

concise. Stakeholders can provide feedback to a Call for Evidence until 16 August 2023, including any additional information, such as transition plans, that may be required to guide decision-making.

Other tools will complement transition plans in equipping the market with the information necessary to drive the transition. The government has committed to consulting on a UK Green Taxonomy in autumn 2023, informed by the expert advice of the Green Technical Advisory Group. A Transition Finance Market Review will leverage TPT's ongoing work to understand what is needed for the UK to become a leading provider of transition financial services. The FCA has consulted on labelling proposals to address greenwashing and create trust in sustainable investment products. Further detail on these and other tools to deliver the UK government's ambition of becoming the Net Zero-aligned Financial Centre are set out in the 2023 Green Finance Strategy.



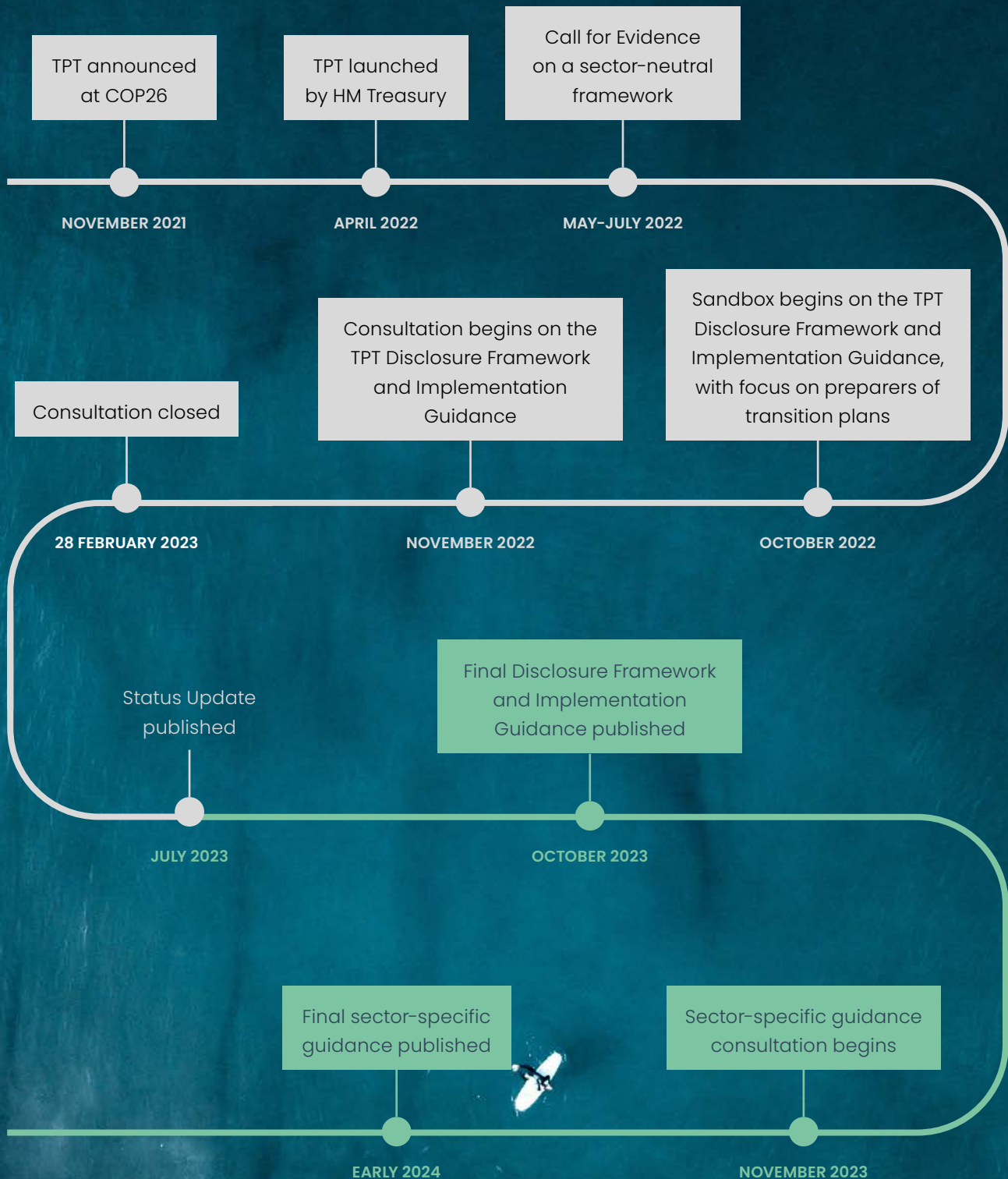
The 2023 Green Finance Strategy reiterated the UK's support for the ISSB and announced the process for formal assessment of the ISSB Standards prior to UK endorsement.

26) UK government, Mobilising green investment: 2023 green finance strategy April 2023.

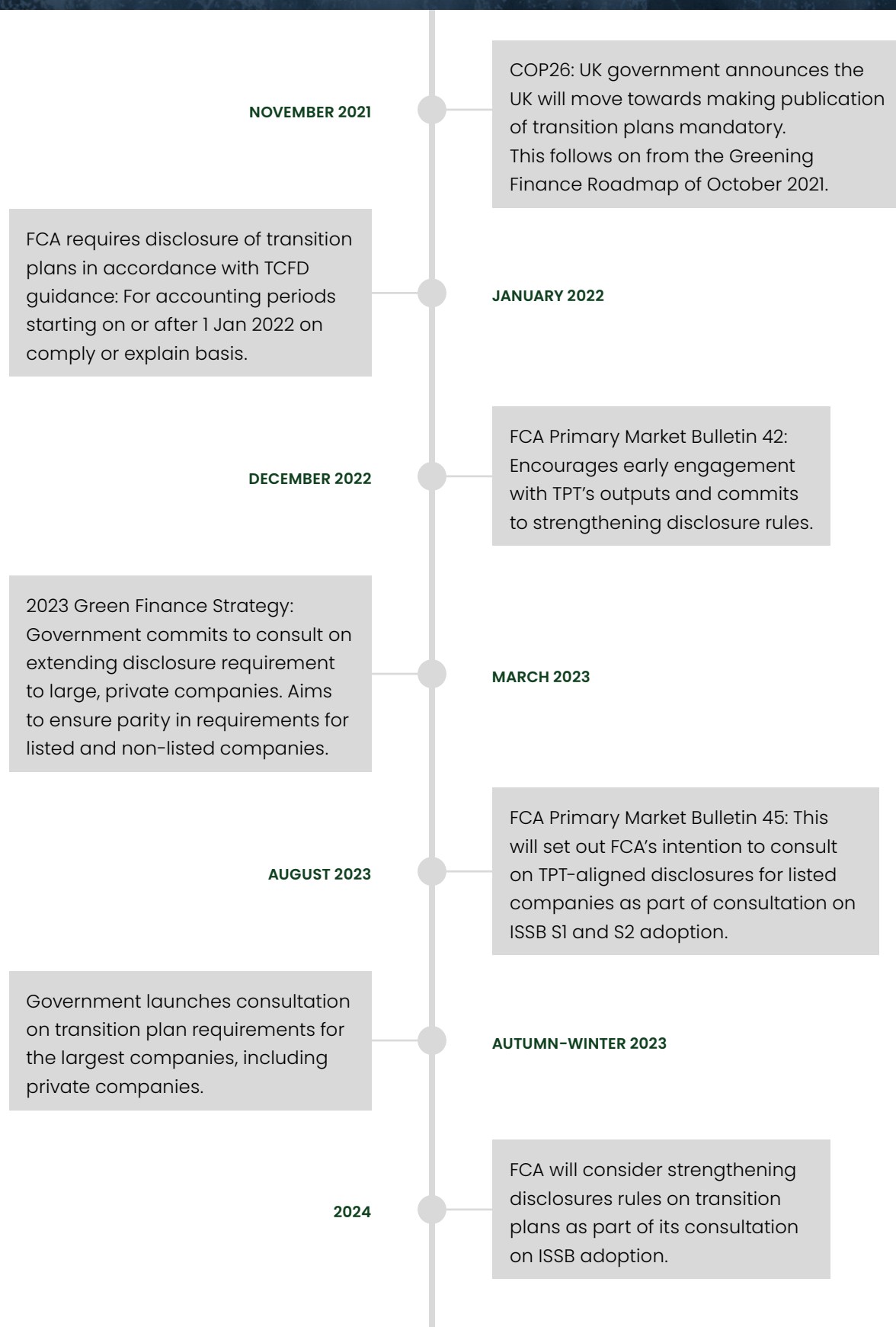
27) UK government, Letter from Lord Callanan to the International Sustainability Standards Board regarding their exposure drafts IFRS S1 and IFRS S2 August 2022.

28) UK government, Smarter regulation non-financial reporting review: call for evidence, June 2023.

UK Transition Planning Regulatory Timeline



ADOPTION PATHWAY FOR TRANSITION PLANS BY UK GOVERNMENT AND FINANCIAL CONDUCT AUTHORITY



— 4 —

The TPT Consultation

KEY THEMES AND OUTCOMES



4.1 OVERVIEW

At COP27 the TPT published its draft Disclosure Framework and accompanying draft Implementation Guidance, representing an important milestone in its efforts to develop a gold standard for private sector transition plan disclosures. Stakeholders were invited to provide feedback between 8 November 2022 and 28 February 2023. In parallel to receiving written submissions, the TPT also engaged with over 500 organisations via webinars, industry roundtables,

bilateral conversations and other outreach activities.

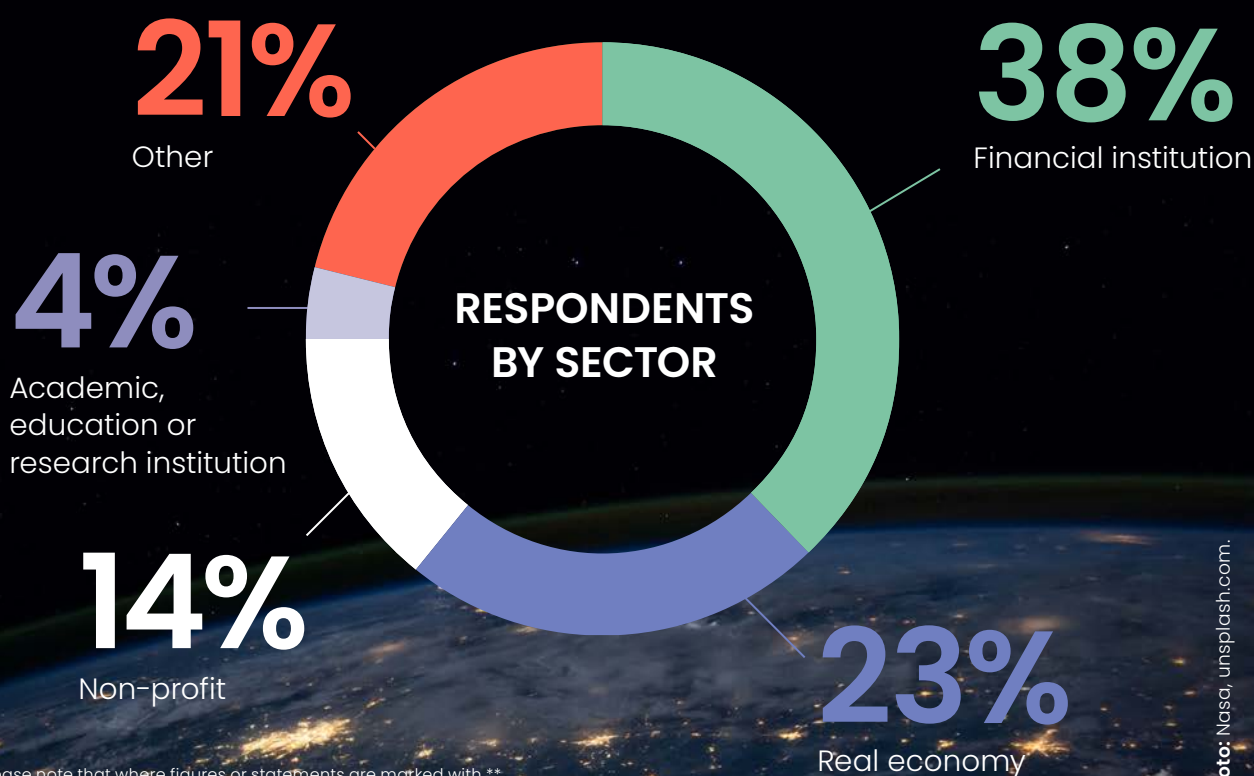
This section provides an overview of key themes that emerged from the consultation process, and how the TPT is responding to this feedback. The TPT is committed to maintaining the confidentiality of individual responses and will not publicly disclose the list of respondents or attribute any feedback to specific organisations or individuals.

4.2 RESPONDENTS

The TPT received a total of 86 written responses. Of these, 68 respondents submitted feedback following the structure set out by the TPT's consultation questionnaire. The remaining 18 respondents provided free-form comments to the TPT Secretariat.²⁹

The respondents came from a broad range of sectors (see Figure 1 for a more detailed breakdown). Overall, 19 indicated that they are users of transition plans, 15 indicated that they see themselves as preparers, and 24 said that they are both users and preparers. The remaining 28 respondents did not specify whether they are users or preparers.

Figure 1 Respondents by sector (n=86)



²⁹ Please note that where figures or statements are marked with **, these only reflect the 68 responses submitted via the survey.

4.3 KEY THEMES EMERGING FROM THE FEEDBACK

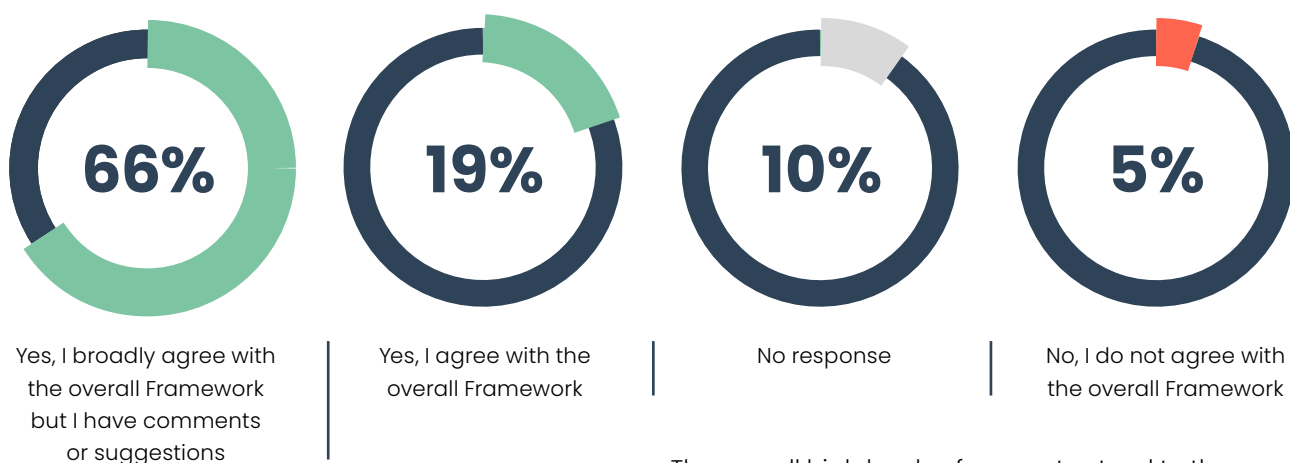
The TPT has carefully considered the responses and identified a series of key themes across the vast body of feedback received from the 500 or so organisations that TPT engaged with over the consultation period.

Broad support for the draft Disclosure Framework and key disclosure recommendations

Overall, respondents strongly welcomed the TPT's work and its intention of providing a robust framework to support the private sector in

developing credible transition plans. Around 85% of respondents said that they either "agree" or "broadly agree" with the approach taken in the draft Disclosure Framework**. There are no major differences in level of agreement between users and preparers, or between respondents from financial institutions, the real economy and others. Many respondents explicitly welcomed the TPT's recommendation that firms should take a strategic and rounded approach to transition planning, emphasising that it encourages firms to take a more strategic approach to managing climate risk.

Figure 2 Overall agreement with the Disclosure Framework (n=68) (**)



Over 50% of preparers and 60% of users found these recommendations helpful or very helpful**

The overall high levels of support extend to the recommendation that entities should integrate material information on their transition plans into general purpose financial reporting, alongside publishing a standalone plan which is updated periodically. Over 50% of preparers and 60% of users found these recommendations helpful or very helpful**. However, several respondents noted that they would welcome further clarification regarding what information would be expected in annual disclosures versus standalone reports, and under what circumstances firms would be expected to update the standalone plan sooner than every three years.

There was even stronger support for the recommendation that entities should apply key corporate reporting norms to transition plan reporting. Many respondents requested clarifications, supplementary guidance and case studies on how these can be applied to transition plans.

TPT response: Given the strong support for the TPT Framework, the key conceptual building blocks of the draft publications will be retained. These include the recommendation that entities should take a strategic and rounded approach to transition planning, taking action to (i) decarbonise, (ii) respond to climate-related risks and opportunities, and (iii) contribute to the economy-wide transition. In addition, the TPT's final recommendations will re-emphasise the importance of the three principles of Ambition, Action and Accountability.

Regarding the question of where and how to disclose, the TPT will continue to recommend that entities integrate material information related to their transition plan in their general-purpose financial reporting. This includes both information about their forward-looking strategy, and updates on progress made in that reporting period. The finalised Disclosure Framework and Implementation Guidance will respond to calls for further clarity and guidance on this point.

International alignment remains key

Many respondents emphasised the importance of building international consistency and coherence in the emerging landscape of transition plan disclosure guidance. They strongly welcomed the TPT's approach of building on the existing recommendations of the TCFD and the emerging global baseline provided by the ISSB. In addition, there was strong support for TPT adopting the same five-element structure as used in the transition plan guidance of the Glasgow Financial Alliance for Net Zero (GFANZ)^{30 31} framework for net zero transition planning by financial institutions and real economy corporates.

Many respondents urged the TPT to retain interoperability with existing and emerging international frameworks. It was suggested that the TPT could support preparers by more closely aligning the language across the Disclosure Framework with the ISSB's Standards. In addition, respondents requested further clarifications on how the TPT's work relates to emerging disclosure expectations on transition plans in the European Union (EU), as well as other voluntary frameworks (e.g. Climate Action 100+³², UN HLEG Recommendations³³ and the Net Zero Investment Framework³⁴).

TPT response: The TPT will continue to strive to contributing to international consistency and coherence in emerging transition plan norms. The finalised TPT outputs will continue to align with the GFANZ framework by using the same five key elements, so that the entities that have developed GFANZ-consistent transition plans are well placed to disclose them in line with TPT recommendations.

In the final Disclosure Framework, the TPT will also ensure close alignment with the finalised IFRS S1 and S2 Standards, published on 26 June.^{35 36}

This will include aligning language on key concepts and definitions, including the definition of a transition plan.

Alongside the Disclosure Framework, the TPT will also publish an updated version of its Technical Annex, mapping the TPT's recommendations to other key climate-related disclosure frameworks. This will include the TCFD's November 2021 Recommendations, the IFRS S2 Climate-related Disclosures Standard, and, depending on the finalisation timeline, EU reporting requirements under the Corporate Sustainability Reporting Directive to initial European Sustainability Reporting Standards (ESRS).³⁷

30) GFANZ, Financial Institution Net Zero Transition Plans, November 2022.

31) GFANZ, Expectations for Real-Economy Net Zero Transition Plans, September 2022.

32) Climate Action 100+, <https://www.climateaction100.org/>

33) UN HLEG, Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions, November 2022

34) IIGCC, Net Zero Investment Framework Implementation Guide, April 2021.

35) ISSB, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, June 2023.

36) ISSB, IFRS S2 Climate-related Disclosures, June 2023

37) European Commission, European sustainability reporting standards – first set, June 2023.

Users expect all recommended disclosures to be useful for informing decision-making, while preparers expect some parts of the framework to be easier than others to disclose against.

Feedback from users on the individual Sub-Elements shows that they expect transition plans prepared in line with TPT's recommendations to be useful in informing their decisions**.

In particular, users highlighted that they expect a high degree of usefulness from disclosures in line

with **2.1 Business planning and operations**, **2.4 Financial planning**, and **4.2 Financial metrics and targets**. A lower degree of decision-usefulness was expected for disclosures in line with **5.3 Culture**.

The response rates varied in relation to the usefulness of TPT Sub-Elements. Between 47 and 51% of users provided a response for the Sub-Elements of **2. Implementation Strategy****. For all other Elements, the response rate lies between 77 and 84%**.

Figure 3 Overall expected usefulness of the disclosure**.



Low Expected Usefulness

High Expected Usefulness

* Sub-Element has lower overall response rate, which decreases confidence in colour coding.

Feedback from preparers on the expected difficulty of developing disclosures in line with the TPT's draft recommendations vary across the framework.

Preparers expect least difficulty in disclosing in line with the recommendations under **5**.

Governance. Higher levels of difficulty are expected for disclosures under **2 Implementation Strategy**, particularly **2.4 Financial planning**.

Key implementation concerns raised by preparers across the Disclosure Framework include:

- The complexity of preparing a comprehensive plan.
- How to navigate the guidance when particular Sub-Elements may be less relevant to the transition strategy of a particular entity.
- Data limitations.
- The potential commercial sensitivity and liability risks that may arise from disclosing aspects of their transition strategy.

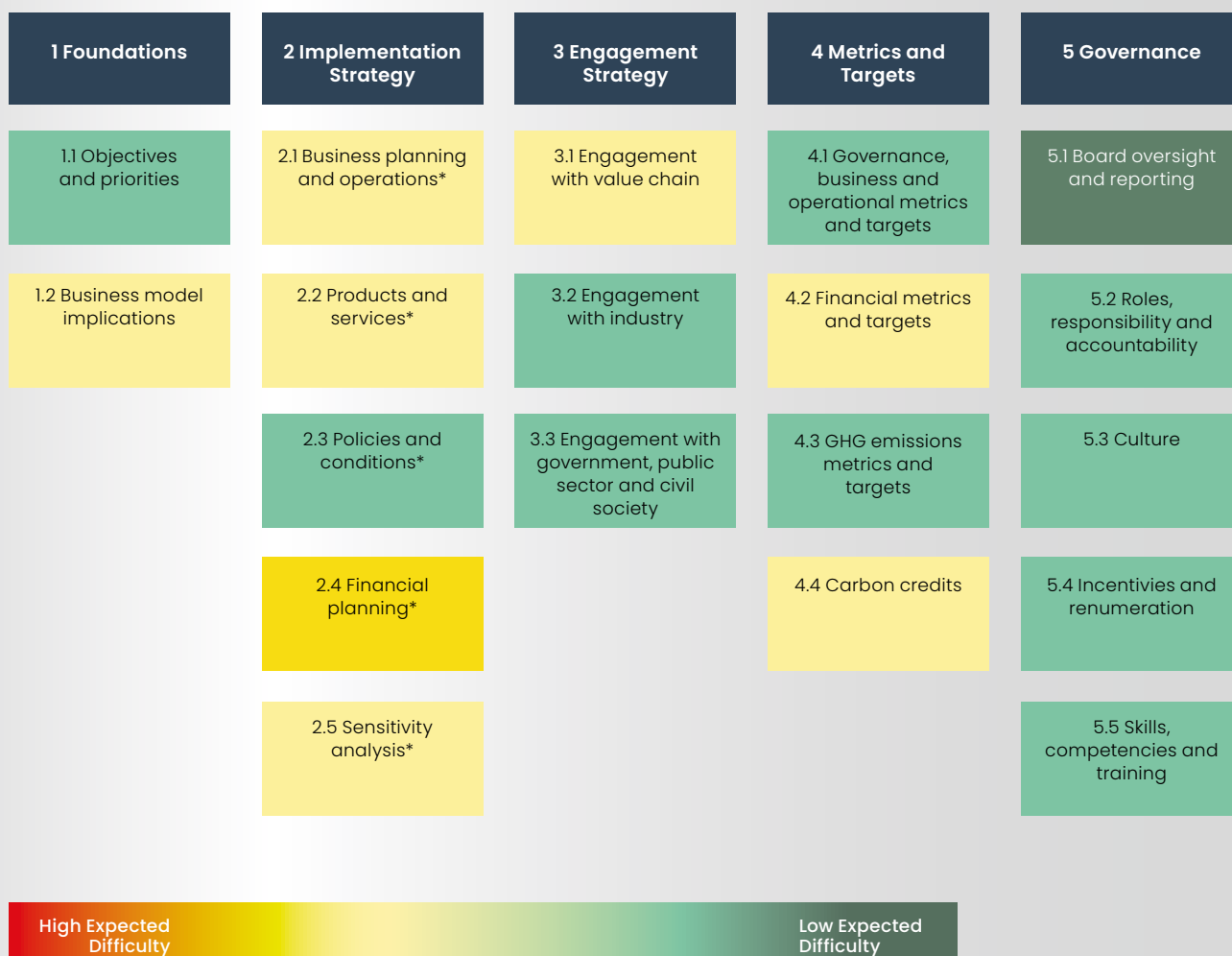
In addition, preparers raised specific implementation challenges relating to particular Sub-Elements. Key challenges raised include:

- **Re 1.2:** a lack of guidance on how to meaningfully integrate considerations of material interdependencies with stakeholders and the natural environment into a transition plan.
- **Re 2.1 and 2.2:** quantifying the contribution of each action towards the overall objectives of the plan.
- **Re 2.4:** quantifying expected impacts given uncertainties and isolating the financial implications of a financial plan from other financial drivers.
- **Re 2.5:** isolating individual dependencies and assumptions and quantifying the impact if certain assumptions are not met.
- **Re 3.1:** estimating the expected impact of engagement with the value chain and portfolio companies.
- **Re 4.2:** identifying suitable and meaningful metrics.

The response rates for this question were consistently high, with between 62% and 74% of preparers providing a response**.

Feedback from preparers on the expected difficulty of developing disclosures in line with the TPT's draft recommendations vary across the framework



Figure 4 Overall expected difficulty of disclosure**

TPT response: The TPT is encouraged by the positive feedback on the decision-usefulness of its recommendations, and, at the same time, recognises the implementation challenges raised by preparers. In finalising the draft Disclosure Framework, the TPT will make adjustments to support preparers, while retaining the overall decision-usefulness of the disclosures.

Adjustments will include:

- Emphasising that transition planning should be regarded as an iterative process, and that entities are not expected to provide all the answers in their first plan.
- Leveraging, where relevant, provisions that the ISSB has decided to include in finalising the IFRS S2 Standard to address similar concerns to those raised by some TPT stakeholders.
- Adjusting the recommendations under some Sub-Elements to ask entities to explain the expected principal contribution of planned actions towards their objectives, rather than quantifying expected impacts.

Calls to provide clearer benchmarks for ambition and strengthen considerations of other sustainability issues

Numerous respondents expressed support for asking entities to align their transition plans with the Paris Agreement or demonstrate their alignment to relevant sectoral decarbonisation pathways in line with scenarios that limit global warming to 1.5 °C with low or no overshoot.

In addition, many respondents called on the TPT to strengthen its guidance on how entities can appropriately integrate broader sustainability considerations into their transition plans. Most notably, respondents called for the guidance to clearly communicate that an entity's climate transition plan should integrate related issues, such as:

- Adaptation and climate resilience
- Nature and biodiversity
- Social impacts and a just transition

On the other hand, some respondents also cautioned against extending the scope of the TPT's guidance, noting implementation challenges and guidance gaps.

TPT response: The TPT was established in the context of the UK's commitment to be a Net Zero-aligned Financial Centre. The TPT Disclosure Framework sets out best practices for how firms should explain their transition plans based on Ambition, Action and Accountability. An entity's transition plan should reflect the urgency to act, arising from the observed changes in the climate and the latest scientific findings about climate change. To help preparers, the TPT's outputs direct them to various sources of advice for determining appropriate levels of ambition for different elements of a transition plan.

In finalising the Disclosure Framework, the TPT will include a recommendation that entities should disclose the external requirements, transition pathways and scenarios which have influenced their overall ambition and explain how these have been taken into account. These may include:

- National commitments, such as the UK's legal commitment to reducing greenhouse gas (GHG) emissions by at least 100% of 1990 levels (net zero) by 2050.
- International commitments, such as the 1.5 °C target embedded in the Paris Agreement.
- Scenarios and sectoral pathways, which provide a science-backed benchmark for the pace and timing of GHG emissions reductions needed.
- Voluntary commitments made by individual firms, such as the commitments made by members of Race to Zero.

These disclosures will help ensure that stakeholders have the information they require to understand whether entities are developing their plans on the basis of credible and appropriate benchmarks.

In addition, the TPT has launched three new Working Groups on nature, adaptation and just transition. These groups are providing advice on the appropriate integration of these topics into the TPT's outputs.

Calls for further guidance, examples and case studies

Most respondents indicated that they would find further guidance, examples and case studies helpful. This was raised consistently across all five Elements of the Framework.

The TPT Disclosure Framework sets out best practices for how firms should explain their transition plans based on Ambition, Action and Accountability

TPT response: The TPT recognises that some of the recommendations include new and unfamiliar disclosures. To support preparers, the Disclosure Framework will, in due course, be supplemented with an updated version of the Implementation Guidance, as well as supplementary sector-specific guidance.

The Implementation Guidance will contain updated

language to aid the interpretation of the individual Sub-Elements. It will also contain updated guidance on the stages of developing a transition plan, including links and reference to relevant guidance and case studies developed by third parties. It will provide updated guidance to aid the interpretation of individual Sub-Elements.

For further details on the TPT's plans for sector-specific guidance, see Section 5.1.

To support preparers, the Disclosure Framework will, in due course, be supplemented with an updated version of the Implementation Guidance, as well as supplementary sector-specific guidance

4.4 NEXT STEPS

The TPT would like to thank all respondents for taking the time to review the draft outputs published at COP27 and provide constructive feedback. The TPT will continue to take responses and continued stakeholder engagement into account as it finalises the Disclosure Framework and Implementation Guidance over the next few months. During this time, further changes will also be made to:

- Consider recommendations from the TPT's Working Groups on nature, adaptation and just transition, on how to appropriately integrate these thematic areas.
- Ensure alignment with the now finalised IFRS S1 and S2 Standards.



— 5 —

Next Steps for the TPT

The TPT's mandate runs until 28 February 2024. Between now and then, the TPT will publish a series of further publications, and will continue to engage internationally to support the development of global norms around transition planning, and to support the ecosystem around transition plans.



5.1 FUTURE TPT PUBLICATIONS

The TPT plans to publish the final Disclosure Framework and Technical Annex in October 2023. At the same time the TPT will publish an initial version of the Implementation Guidance, this will be updated further over coming months with a final version published by February 2024.

In parallel to its sector-neutral work, the TPT has started to prepare guidance relating to specific sectors which will support the Disclosure Framework and Implementation Guidance.

The first piece of sector-specific guidance will provide a high-level overview of existing third-party guidance relevant to a select number of Disclosure Framework Sub-Elements. This guide will cover an extensive number of financial and real economy sectors, supporting the implementation of the Disclosure Framework across the economy. This high-level sector guidance will be published in Q4 2023 for comment.

The second piece of sector-specific guidance will provide a small number of sectors with detailed guidance to supplement the Disclosure Framework. The guidance identifies the most relevant Disclosure Framework Sub-Elements for each sector and provides additional sector-specific disclosures and guidance, leveraging third party materials wherever possible. This detailed guidance will be published in November 2023 for consultation.

The TPT's choice of sectors for detailed guidance was supported by a thorough screening process considering each sector's greenhouse gas emissions, its need for additional transition finance in the UK context, and the quality of existing guidance available in the market. In making its selection the TPT sought to identify sectors for which additional guidance would be beneficial in kick-starting transition plan disclosures, while also identifying opportunities to leverage existing sectoral guidance and consolidate it into the context of the Disclosure Framework.

In the financial sector, Asset Management, Asset Owners and Banking were selected. This selection includes three of the four major financial industries which are addressed by TCFD as well as by GFANZ. Through their investment and lending activities, these sectors play a key role in enabling system-wide reduction in emissions.

In the real economy, Electric Utilities and Power Generators, Food and Agriculture, Metals and Mining and Oil and Gas were selected. Each of these sectors currently accounts for a substantial share of global greenhouse gas emissions but can also play a key role in providing climate solutions.

The following list is the full set of sectors that the TPT is developing detailed guidance for, to complement the sector-neutral Disclosure Framework:

- Asset Management
- Asset Owners
- Banking
- Electric Utilities and Power Generators
- Food and Agriculture
- Metals and Mining
- Oil and Gas

The TPT recognises that there is significant interest from a broad set of stakeholders in the role of fossil fuels within private sector transition plans. When preparing guidance for consultation, the TPT will work to manage these sensitivities carefully across all sectors and will take additional steps to ensure that guidance on Oil and Gas is produced with an appropriate balance of expert inputs.

In early 2024, the TPT will publish a document which makes recommendations for future work on transition plans after the end of the TPT's mandate. This will incorporate recommendations based on work carried out by the TPT working groups on adaptation, just transition and nature.



TPT Publications Suite

The TPT encourages preparers of transition plans to use the draft Disclosure Framework and Implementation Guidance. These provide the fundamentals of the TPT approach which will carry through in the future final documents.



DISCLOSURE FRAMEWORK

Sets out sector-neutral best practice for a credible and robust transition plan.

Final: October 2023

IMPLEMENTATION GUIDANCE

Further guidance on how to implement each of the Disclosure Framework Sub-Elements.

Draft: October 2023
Final: Q1 2024

TECHNICAL ANNEX

Maps TPT to TCFD, ISSB and, subject to finalisation timeline, ESRS.

Final: October 2023

SECTOR GUIDANCE OVERVIEW

Provides guidance on disclosure against key Sub-Elements of the Disclosure Framework for a broad range of sectors. Signposts to third party guidance.

Draft: Q4 2023
Final: Q1 2024

SECTOR-SPECIFIC GUIDANCE

Provides further guidance for the following sectors on the application of the Disclosure Framework:

- Asset management**
- Asset owners**
- Banking**
- Electric utilities and power generators**
- Food and agriculture**
- Metals and mining**
- Oil and gas**

Draft: November 2023
Final: Q1 2024

FORWARD PATHWAY ON TRANSITION PLANS

Will set out future work required to ensure a strong ecosystem around transition planning. Will include recommendations resulting from work by the TPT Working Groups on nature, adaptation and just transition.

Q1 2024

Each guidance document supports the implementation of the Disclosure Framework at a sector-neutral or a sector-specific level.

5.2 DRIVING GLOBAL CONSISTENCY

The TPT is working with HMT, FCA and the Bank of England to help the UK to support convergence around international norms for transition plans.

The TPT is working closely with the ISSB to ensure that the TPT Disclosure Framework and Implementation Guidance act as effective building blocks to complement the final ISSB S2 Standard, providing further granularity and specificity to help

firms to disclose transition plans.

The TPT will continue to work closely with the Glasgow Financial Alliance for Net Zero (GFANZ) to support international and multilateral discussions of transition planning and transition plan disclosure, and to drive global convergence on a shared, consistent view of what makes a transition plan robust and credible.

5.3 ECOSYSTEM BUILDING THROUGH THE TPT SANDBOX

Over the past year, the TPT has used a Sandbox process to test the Disclosure Framework and support the emergence of an ecosystem around transition planning. In the second half of 2022, this included testing with a group of large corporates and financial institutions, with a focus on ensuring the Disclosure Framework's recommendations were practical and implementable. Sandbox organisations were also encouraged to prepare transition plans using the TPT Disclosure Framework.

At COP27, the TPT began the next phase of the Sandbox to move from testing the Disclosure Framework to encouraging innovation. As the preparation of transition plans increases, a supportive ecosystem is needed to connect preparers, users, solution providers, and regulators. The TPT launched a Call for Proposals in February 2023 to seek ideas from commercial and non-commercial organisations on how to accelerate the development and implementation of new capabilities that can support users and preparers of transition plans.

The TPT Sandbox provides a space for the development of this ecosystem. Organisations will collaborate, innovate, and develop solutions towards key problem statements and bottlenecks. The TPT is now selecting solution providers to take part in this process, and to connect them with organisations already part of the Sandbox.

As the preparation of transition plans increases, a supportive ecosystem is needed to connect preparers, users, solution providers, and regulators

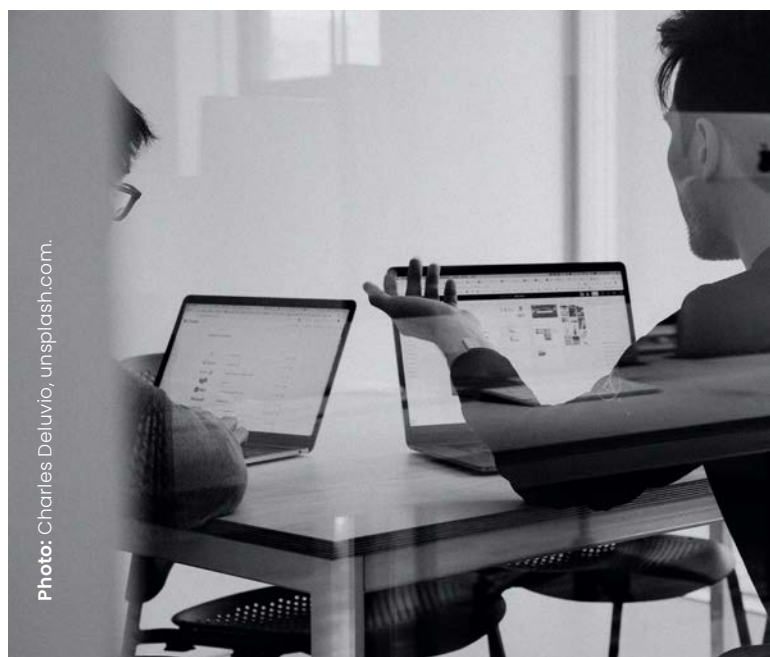


Photo: Charles Deluvio, unsplash.com.

Acknowledgements

The TPT's efforts are made possible by the many individuals and organisations who have served as members of the TPT's Steering Group or Delivery Group, or as members of one of the Delivery Group's Working Groups. The TPT, as a whole, would like to express its gratitude to all of the many stakeholders who have the time to engage with and support its work to date. A list of our members can be found [here](#).





CONTACT US

secretariat@transitiontaskforce.net

transitiontaskforce.net