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CONSULTATION RESPONSE SEPTEMBER 2025

DEPARTMENT OF ENERGY SECURITY AND NET ZERO: TRANSITION PLAN CONSULTATION

E3G RESPONSE

E3G is pleased to provide feedback to the Department of Energy Security and Net Zero (DESNZ) consultation on transition plan requirements. The UK government's proposal to mandate transition plans for financial institutions and large public or private companies is a critical opportunity to reinforce climate leadership, mobilise private capital, and support delivery of national net zero goals. As identified by both Secretary of State for Energy and Climate Change[1] and the Economic Secretary to the Treasury,[2] transition planning is a vital first step towards delivering the government's clean energy superpower mission and make the UK the "sustainable finance capital of the world".

In this consultation response E3G supports the introduction of transition plan requirements, highlights the overwhelming economic case and business support for this policy[3] and offers the following key considerations for policy design:

> **Support UK businesses to embed climate change considerations into their strategies.** Require businesses to develop, disclose and implement a climate transition plan.

[1] DESNZ, 2025, **Transition plan requirements consultation**

[2] HMT, 2025, **UK Green Taxonomy Consultation Response**

[3] Summarized in responses to Questions 1 & 2 and E3G, 2025, **UK transition plan consultation: Building a future-fit regulatory regime**

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- **Take a consistent approach to large businesses whatever their ownership model.** Apply requirements to financial institutions, listed and large private companies.
- **Support comparable, decision-useful information.** Require transition plan disclosures to be consistent with the recommendations of the TPT Disclosure Framework.
- **Harmonize the information landscape.** Set transition plan requirements which are consistent with IFRS S2 and support digital accessibility.
- **Reduce complexity and costs for business.** Increase ease of obtaining and using relevant information for decision making.
- **Support the UK's policy goals.** Require transition plans to be consistent with UK emissions targets and industrial policy, and aligned with the goals of the Paris Agreement.
- **Signpost the UK's overall transition trajectory to firms.** Ensure that sectoral policy supports climate transition by firms.
- **Set enabling conditions for enforcement.** Ensure accuracy in disclosed information.
- **Address liability concerns in a proportionate manner.** Support legal certainty through application of well-established, commonly used standards.

Section A: The benefits and use cases of transition plans

1. To what extent do you agree with the assessment of the benefits and use cases of transition planning set out in Section A? Are there any additional benefits or use cases for transition plans? Do you have any further insights and evidence on the purpose, benefits and use cases of increased and improved transition planning —including economy-wide impacts?

We believe that the benefits and use cases for entities set out in Section A are largely correct. The main benefits we identify are as follows.

Benefits for entities disclosing plans include:

> **Enhancing competitiveness of firms**. Firms disclosing transition plans already overwhelmingly feel that disclosure benefits their business.[4] Taking action to manage the risks and opportunities associated with the transition increases the desirability of firms for partnership and investment. 65% of corporates think that achieving the goals in their transition plans will make them more competitive.[5]

> **Unlocking investment and growth.** Firms with transition plans make it easier for investors to allocate capital to them. 84% of UK institutional investors say they are more inclined to invest in companies with clear climate transition plans over those without.[6]

> **Making streamlined data available and cutting costs for firms**. Requiring comparable, consistent and decision-useful transition plans can reduce the complexity of analysing and comparing disclosures and so reduce costs for financial institutions making investment decisions, and for real economy firms seeking to optimise value and risk in supply chains. While 86% of global asset owners are implementing sustainable investment in their investment strategies, their top barrier to progress is 'concerns about availability of ESG data and the use of estimated data'.[7]

> **Managing climate-related risks, preventing losses.** Climate-related risk could cost UK businesses and investors $141 billion by 2040 if left unmanaged.[8] A survey of UK-based institutional investors showed that 86% were more likely to invest in a company if it was taking active steps to manage its climate-related risk.[9]

> **Companies see specific advantages**. In a survey by Grant Thornton UK,[10] respondents who had developed a transition plan, or were considering developing one, felt they brought benefits to:

- Management of climate related risks for business and supply chain - 80%
- Identifying and realising growth opportunities related to the transition - 81%

[4] Grant Thornton, 2025, **Demystifying transition planning**
[5] Lloyds, 2024, **Credible Transition Plans: Reporting vs Reality**
6 South Pole, 2025, **The 2025 South Pole Net Zero Report**, p.14
[7] FTSE Russell, 2022, **Sustainable Investment Asset Owner Report 2022**
[8] UKSIF, 2025, **UK Economy Heading for $141 Billion Loss Caused by Stranded Fossil Fuel Assets**
[9] E3G, 2025, **Investors to UK – help us invest for growth by managing climate risks**
[10] Grant Thornton, 2025, **Demystifying transition planning**

- Increasing understanding and buy-in within business and board - 82%
- Building trust with customers and clients - 78%
- Enabling access to finance - 80%

Transition plans also have benefits for users of plans and the information they contain. We have elaborated on this further in our response to question 3.

Transition plans also unlock macroeconomic benefits for the UK:

> **The net zero transition is the growth opportunity of the 21st century.**[11] In the UK, green sectors are a major driver of growth, innovation and productivity, growing by over 10% last year.[12] Taking steps to realise these growth opportunities across a range of economic sectors could help deliver macroeconomic growth.

> **Enhance UK leadership and ensures London remains a leading centre of sustainable finance**. The UK is competing in a global race to lead on net zero and to secure the economic benefits from leadership. London is already a global hub for financial product innovation, and financial and related professional services exports total £158 billion in 2022 or 22% of UK's export income.[13] Unlocking London's potential as a global sustainable finance hub will require the government to follow through and deploy the regulatory upgrades needed to bring the UK's regulatory landscape into the 21st century and to assert the UK as a leader internationally.

> **Meet national climate targets.** An orderly private sector transition is a precursor to meeting national and global climate goals. Evidence suggests that climate disclosure can support faster decarbonisation. Disclosure regimes in other contexts have already been proven to be highly effective,[14] unlocking benefits for companies, communities and the wider economy. Comprehensive information about how firms are planning on transitioning is vital in delivering on the government's overall ambition, informing policymaking, facilitating sustainable investment to flow into the UK, managing climate-related risks, and delivering green growth.

[11] Skidmore, 2023, **MISSION ZERO: Independent Review of Net Zero**
[12] ECIU, 2025, **UK net zero economy grows 10% in a year**
[13] TheCityUK, 2025, **Financial and related professional services exports achieve strong growth**
[14] For a review of relevant evidence see WWF UK, 2024, **Disclose to Decarbonise**, p.7.

> **A significant mechanism for driving growth is through competitiveness gains.** UK corporates are well positioned to be leading the global transition with McKinsey identifying a £1 billion opportunity by 2030 for UK businesses to supply the goods and services to enable the global net-zero transition.[15] Maintaining competitiveness requires us to make it easier for investors to allocate capital in the UK by ensuring UK corporate players are more competitive and front runners in the global transition.

> **The financial sector can also contribute to growth.** The UK is succeeding in attracting global green capital, with London as the green finance capital of the world,[16] but UK leadership is being eroded. To protect leadership government must take steps to reassure investors of the credibility of UK markets – drastically reducing the risks associated with greenwash, stranded assets and other transition risks, and ensuring the availability of material climate-related data for investors.

> **Managing entity-level transition and physical risks has additional macroeconomic benefits.** 76% of investors would be encouraged to invest more in the UK if climate related risk was reduced[17] – highlighting fears over potential losses caused by the impacts of climate change and the transition. By increasing the resilience of our largest industries, we protect jobs, GDP and tax revenues.

3. For users of transition plans: How do you use transition plans? E.g. if you are an investor, do you use transition plans to inform your investment strategy (both in terms of how you identify opportunities where to invest, and how you identify, manage and assess risks to investment portfolios)

E3G is a user of transition plans as a civil society organisation that has an interest in the climate performance of companies. Additionally, through the ITPN and other climate finance and global decarbonisation workstreams, E3G works with many other categories of user. E3G has a strong understanding of the non-financial information needs of investors, policymakers, regulators and MDBs and how they are - and can be using - transition plan disclosures.

> **Usage of voluntarily disclosed plans is already widespread amongst investors.** An NGFS survey of 37 global banks and insurers showed that

[15] McKinsey, 2021, **Opportunities for UK businesses in the net-zero transition**
[16] Z/yen, 2024, **Global Green Finance Index 14**
[17] E3G, 2025, **Investors to UK – help us invest for growth by managing climate risks**

50% are already using transition plans as a means to identify investment opportunities and 38% plan to.[18]

> **Investors favour companies with credible transition plans as they see benefits arising from easy access to the information that they need for financial decision making.** 86% of UK-based, institutional investors think disclosure of a climate transition plan is a valuable tool for their investment decision making.[19] Alongside this transparency of relevant information, plans bring benefits in terms of comparability and usability of non-financial information.

> **Investors value companies with robust transition plans as it allows them to meet their own climate targets.** Transition plans enable investors to allocate capital to firms across the economy in line with their own climate goals, and to drive decarbonisation (particularly in hard-to-abate sectors). 79% of financial institutions identified a lack of information about firm-level transition planning as a barrier to them allocating capital in line with their own NZ goals.[20]

> **Disclosed information helps with asset pricing and reduce downside risk.** Hoepner et al show that engagement by investors with companies on climate change can reduce downside risk (e.g. the probability that an asset or security will fall in price).[21] This is not specific to transition plans, but transition plans can enable deeper and more effective shareholder engagement.

> **Transition plans can be used as a tool for risk screening and credit risk analysis of potential investments or partners.** Transition plans are increasingly being used as a tool for risk screening. They enable investors and financial institutions to assess a company's exposure to transition-related risks, including policy, legal, market and reputational risks. While their use in credit risk analysis is currently limited, there is growing interest in integrating transition plan data into credit assessments to better evaluate borrower resilience to climate transition risks. Over time, as disclosure becomes more standardised and comparable, transition plans may form a routine input into credit models, particularly in high-risk

[18] NGFS, 2024, **Tailoring Transition Plans: Considerations for EMDEs**
[19] E3G, 2025, **Investors to UK – help us invest for growth by managing climate risks**
[20] OECD, 2022, **OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans**
[21] Hoepner et al, 2024, **ESG shareholder engagement and downside risk, Review of Finance, Volume 28, Issue 2**

sectors. 79% of global investors believe climate risk disclosure to be at least as important as financial disclosure.[22] Recent analysis found that firms with better management practices had more accurate perceptions of climate-related risks, were more likely to have invested in adaptive measures, and demonstrated greater resilience to natural disasters when these do materialise.[23]

> **Identifying investment or lending opportunities.** Transition plans provide forward-looking insight into a company's strategic positioning in the net zero economy. This helps investors and lenders identify firms that are proactively adapting to climate risks and capitalising on emerging opportunities, such as low-carbon technologies and energy efficiency improvements. Transition plans also signal management quality and strategic intent, enabling financial institutions to allocate capital to those companies most likely to benefit from – and contribute to – the transition.

> **Construction of transition-themed products.** Financial institutions are using transition plan data in the design of transition-themed financial products, such as transition bonds, climate-aligned funds, and sustainability-linked loans. These products rely on credible, measurable climate strategies to ensure the integrity of their environmental claims and appeal to clients seeking impact-aligned investment opportunities. Transition plans also support product differentiation and innovation in a growing segment of the market focused on financing the real economy's transition. 93% of respondents to the UK's Transition Finance Market Review's (TFMR) Call for Evidence agreed that there is a significant role for TPT-aligned transition plans in the provision of transition finance.[24]

> **Supporting active ownership and fiduciary duties.** Transition plans can support trustees and managers in fulfilling their fiduciary duties by providing them with the most relevant, high-quality information about a firm's plans, and can also be used to enhance engagement with investee companies and inform voting strategies by investors. Investors use transition plans to structure engagement strategies, set expectations, and track progress over time. In doing so, they can engage more effectively

[22] Emirhan Ilhan and others, 2023, **Climate Risk Disclosure and Institutional Investors, The Review of Financial Studies, Volume 36, Issue 7**
[23] US Bureau of Economic Research, 2024, **Disaster Management**
[24] TFMR, 2024, **Scaling Transition finance: Findings of the TFMR**

with portfolio companies and escalate where necessary, using transition plan disclosures as an evidence base for decision-making.

4. Do you have any reflections on the additional costs and challenges of using transition plans? Please provide evidence where available to support your answer.

The benefits of using transition plans in decision-making are undercut by a lack of consistency in availability and varied comparability between plans. There is a clear need for government to address this market failure by providing guidance on how companies should disclose and by developing mandatory requirements to achieve universality of plans and widespread availability of the information they contain.

- **A successful policy will result in whole-of-economy development, disclosure and implementation of comparable, consistent and decision-useful transition plans by large firms**. Introducing a consistent UK SRS S2 and transition plan requirement can reduce the complexity of analysing and comparing disclosures and so can reduce costs for all users. This includes other large firms within the same supply chain, external investors, policymakers and internal users.

- **A lack of data creates costs for investors as they have to do more analysis, and also lowers overall investment as they price in greater uncertainty**. Voluntarily disclosed transition plans or similar documents are increasingly common but are not universal amongst relevant firms, as detailed in the government consultation.[25] Existing voluntarily disclosed transition plans also vary hugely in quality, depth and presentation. A transition plan requirement would plug these data gaps and their associated costs for investors.

- **To maximise the benefits of disclosure, transition plan disclosures should be easy to access and use.** Over half of respondents to a 2019 survey conducted by BEIS and PwC mentioned variations in reporting between companies and the resulting difficulties in comparing company reports.[26] Data should be accessible online and use consistent digital formats to allow for aggregation and comparison, as well as easier application of machine

[25] DESNZ, 2025, **Transition plan requirements: implementation routes**
[26] BEIS, 2019, **Stakeholder perceptions of non-financial reporting**

reading and AI tools. The government should take forward recommendations on this issue from the Climate Data Steering Committee.[27]

5. Do you have any reflections on how best to align transition plan requirements with other relevant jurisdictions?

Internationally consistent requirements on transition plans will reduce complexity for business and create more decision-useful information for investors. IFRS S1 & S2 and the TPT Disclosure Framework have become the international standard for building requirements. Integrating these two works into UK requirements will ensure compatibility with other jurisdictions who have built their requirements around them.

> **Growing momentum around the IFRS S1 and S2 internationally provides a global baseline for sustainability disclosures and provides a common definition for transition plans.** With over 36 countries on the pathway to adoption,[28] IFRS S2, supported by IFRS guidance[29], supports the disclosure of climate transition plans anchored in company strategy and financial materiality. Several countries have specific requirements or guidance on good practice for transition plans, including:

- Hong Kong
- Australia
- Canada
- Singapore
- NZ
- EU
- USA
- Indonesia
- South Africa
- UAE

> **UK multinationals are already implicitly exposed to disclosure requirements from other markets in which they operate.** See our response to Question 20.

> **The TPT Disclosure Framework is being recognised internationally as a gold standard and can complement the IFRS baseline as guidance to provide consistency and comparability.** The TPT Disclosure Framework builds on the IFRS definition of a transition plan, as well as the wider set of concepts and definitions used in IFRS S1 and S2. Recent guidance from the IFRS Foundation builds on the TPT materials to help companies reporting information about

[27] Climate Data Steering Committee, 2025, **Solving the climate data challenge**
[28] IFRS, 2025, **ISSB Activities Update**
[29] IFRS, 2025, **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**

transition plans in IFRS S1 and S2 disclosures.[30] It also draws on the GFANZ framework and structure, which is widely understood and used by financial institutions globally.[31] The TPT Disclosure Framework structure and guidance is also being drawn on widely internationally, including by jurisdictions such as Hong Kong[32] and Australia,[33] as well as international bodies such as the UN Sustainable Stock Exchanges initiative, UN Forum for Insurance Transition and the Network for Greening the Financial System. Adopting the TPT Disclosure Framework will aid comparable and decision-useful information for investors and be internationally interoperable, as discussed in our response to Question 6.

- **Adopting the TPT Framework would help build interoperability between UK SRS and the European Sustainability Reporting Standards (ESRS).** As noted by the Draft EFRAG Implementation Guidance for transition plans "The TPT and ESRS share a common view on key information to be included in a transition plan".[34] The European Banking Authority (EBA) has also drawn on the TPT five-element structure in its guidance.[35] As discussed in Question 20, requesting firms to align their transition plans with net zero should – depending on the outcome of the Omnibus process - also bring any UK requirements closer to the European Corporate Sustainability Due Diligence Directive (CSDDD) and Corporate Sustainability Reporting Directive (CSRD).

- **Ensuring that adaptation and resilience are in scope will support alignment with other jurisdictions.** Both the IFRS guidance and TPT Disclosure Framework specifically include adaptation and resilience, given the materiality of physical risk. Singapore and Australia have both considered adaptation measures in their draft transition plan guidance.[36] Likewise, in India, adaptation actions are included in the transition bond framework. In the EU, whilst adaptation is not explicitly in the transition plan requirement under the ESRS, entities are mandated to disclose information on adaptation if deemed a material sustainability matter. The UK as a member of the G20

[30] IFRS Foundation, 2025, **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**
[31] BloombergNEF, 2024, **Tracking Climate Transition plans in the Financial Sector**
[32] HKMA, 2024, **Annex: Good practices on transition planning**
[33] Australian Government, 2025, **Climate-related transition planning guidance**
[34] EFRAG, 2025, **Transition Plan ESRS Implementation Guidance V1.10 [draft]**
[35] EBA, 2025, **Guidelines on the management of environmental, social and governance (ESG) risks**
[36] IOSCO, 2024, **Report on Transition Plans**

has supported the inclusion of adaptation elements within the 2024 High-level Principles on "Credible, Robust and Just" Transition Plans.[37]

> **The UK should make best use of its leadership position.** UK leadership on transition planning has catalysed new global regulatory norms around private sector transition plans. Since the TPT's announcement at COP26 in 2021, momentum on transition plans has built, with G7 leaders highlighting the need for credible transition plans.[38] Transition plan disclosure is also under consideration in a wide range of multilateral regulatory forums, including the International Organization of Securities Commissions (IOSCO), Financial Stability Board, Basel Committee on Banking Supervision, Network for Greening the Financial System. The UK should make use of its position in relevant fora a to shape global norms and promote interoperability with UK requirements.

Section B: Implementation options

6. What role would you like to see for the TPT's disclosure framework in any future obligations that the government might take forward? If you are a reporting entity, please explain whether you are applying the framework in full or in part, and why.

To support comparable, decision-useful information, government should require transition plan disclosures to follow the TPT Disclosure Framework.

> **A lack of comparability and consistency of transition plans is holding back financial decision-making.[39]** There is an icing effect on firms' implementation of climate-relevant information into decision making while the market waits for standardised regulatory requirements. While transition plan development should be a strategic rather than compliance exercise, further clarity on what specific information to disclose will improve the overall usability, comparability and credibility of transition plans, and reduce complexity for business.

> **The TPT five element structure has been widely used in other transition plan guidance.** This provides five elements and corresponding sub-elements that can structure high-quality transition plan disclosures. Adoption of this structure includes from the Australian Treasury,[40]

[37] G20 Sustainable Finance Working Group, 2024, **2024 G20 Sustainable Finance Report**
[38] ESG Today, 2023, **G7 Leaders Support Development of Global Sustainable Disclosure Standards**
[39] IOSCO, 2024, **IOSCO Report on Transition Plans**
[40] Australian Government, 2025, **Climate-related transition planning guidance**

regulators like the European Banking Authority,[41] as well as industry initiatives like the Glasgow Financial Alliance for Net Zero and UN Forum for Insurance Transition.[42] Firms should also be encouraged to consider the TPT's 'Strategic & Rounded' approach and three principles of Ambition, Action and Accountability when developing their transition plans.[43]

> **The TPT Disclosure Framework was developed, in collaboration between UK industry and the government, to address a lack of clarity in expectations of transition plans.** The Framework has already influenced transition plan development by firms around the world and in the UK (including organisations such as Fortescue, BT Group and NatWest as well as the BBC and National Trust), and this foundational practice should be recognised in regulation going forward.[44] The IFRS Foundation assumed responsibility for the TPT Disclosure Framework in 2024,[45] and recently published guidance[46] that shows how the TPT Disclosure Framework can support disclosures in accordance with IFRS S2, the global baseline for climate disclosures.

> **Many companies are already utilising the TPT Disclosure Framework when developing their plans.** A non-exhaustive list of large companies referencing the TPT Disclosure Framework includes:

- Admiral Group
- a.s.r
- Achmea
- AGL
- AIA
- AMD
- APA
- ArmSwissBank
- ASM
- Autostrade per l'Italia
- Aviva
- Bank of England
- Bayer
- BBC
- BHP
- BT Group
- Centrica
- Church of England Pensions
- Compass

[41] EBA, 2025, **Guidelines on the management of environmental, social and governance (ESG) risks**
[42] Forum for Insurance Transition to Net Zero, 2025, **UN forum launches first-of-its-kind global transition plan guide for insurance underwriting portfolios**
[43] All Found at ITPN, 2025, **TPT Legacy**
[44] Deloitte, 2024, **Corporate Reporting Insights** found that 22% of the first 50 UK FTSE-100 companies to disclose in 2024 had considered the TPT Disclosure Framework in preparing their disclosures and an additional 18% stated that they intend to produce TPT-aligned disclosures.
[45] IFRS, 2025, **Knowledge Hub: Transition Plan Taskforce Resources**
[46] IFRS, 2025, **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**

- Coventry Building Society
- Deutsche Bank
- Dexus
- Drax
- DS Smith
- E&
- Enfinium
- Essentra
- First Group
- FMC
- Focusrite
- Fortescue
- Haleon
- Hilton Foods
- HSBC
- Impax Asset Management
- Inizio
- İşbank
- iTV
- Jemena
- Just Group
- Leeds Building Society
- Lloyds Banking Group
- M&G
- Melrose
- Mitsubishi HQ Capital
- Morgan Sindall
- National Grid
- National Trust
- NatWest
- NextEnergy Solar Fund
- Norfolk Southern
- OSB Group
- Ovo
- Pension Insurance Corporation Group
- Phoenix
- Prudential
- Restore
- Royal London
- Savills
- Scotiabank
- SGSP Australian Assets
- Snam
- South32
- Standard Chartered
- Steelcase
- Supermarket REIT
- Suzano
- Taylor Wimpey
- Trane Technologies
- Uniqa
- Vale
- Vodafone
- WestPac

> **The TPT disclosure framework builds on deep industry understanding and best practice.** The TPT was commissioned to do the legwork on what good looks like for transition planning. Taking forwards the highly consultative TPT work will ensure that plans are credible and comparable and help ensure the success of UK transition plan requirements.

> **The TPT Disclosure Framework adopts a "One plan, many users" approach, which will lower costs to preparers.** Transition plans have a

variety of external use cases, including by securities regulators, prudential supervisors, investors and civil society. The TPT Framework encourages companies to consider its different stakeholders in producing its plan, but ultimately disclose one forward-looking transition plan.

> **Nature-related risks will be financially material for many companies.**[47] Government should signal that companies should build their capabilities to incorporate relevant nature-related risks and opportunities into their transition plan over time. This could be done through reference to the Taskforce for Nature-related Financial Disclosures (TNFD) guidance on nature transition planning once finalised. The TNFD planning guidance[48] builds on current market practice, including the five-element structure used by TPT and GFANZ.[49]

7. [Climate mitigation] To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is preparing for the transition to net zero? If you believe the draft UK SRS S2 does not provide sufficient information, please explain what further information you would like to see.

IFRS S2 - and the draft UK SRS S2 - requires that firms should disclose information about a transition plan if they have one. However, this requirement does not provide useful information regarding the contents of a transition plan. The draft UK SRS creates a disclosure obligation but does not set out what a credible transition plan should contain.

> **The IFRS S1 and S2 standards are the global baseline for sustainability disclosures on sustainability and climate.** They are backed by the G7, the International Organisation of Securities Commissions, and with over 36 jurisdictions such as Australia, Brazil, Canada, Japan and South Korea setting up adoption processes.[50] The standards have also been welcomed by the leaders of the G20.[51] At COP28, close to 400 organisations signed a Declaration of Support for the ISSB Standards, including corporate membership groups, investor groups managing over US$120 trillion in assets under management, individual stock exchanges, and stock

47 Environmental Change Institute, Taskforce on Nature-related Financial Disclosures and Global Canopy, 2025, **Evidence review on the financial effects of nature-related risks**
48 TNFD, 2023, **Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations**
49 TPT, 2023, **Disclosure Framework**
50 IFRS, 2025, **ISSB Activities Update**
51 G20, 2023, **G20 New Delhi Leaders' Declaration**

exchange associations.[52] This signifies a strong global commitment to high quality and consistent sustainability disclosures.

> **We welcome the UK's progress on tackling fragmentation through the adoption of the UK SRS.[53]** Interoperability is the only way to ensure that UK non-financial reporting requirements aid UK business in accessing international investment and trade opportunities, as well as avoid unnecessarily increasing reporting burdens.

> **The IFRS has now provided new guidance (published in June 2025) providing entities with clear direction on what constitutes a credible transition plan disclosure, and how such plans can form part of wider strategy disclosures.[54]** The new guidance explains to entities how they should think about preparing for the transition to net zero, and points users towards the TPT disclosure materials which are now also owned by IFRS Foundation and presented on their website. This ensures that best practice developed in the UK through the TPT is embedded within the global baseline, enhancing international alignment. Without a clear requirement in the UK there is a risk of inconsistent disclosures across companies and sectors, reducing comparability and decision-usefulness for investors and other stakeholders.

> **The UK could complement the IFRS guidance by providing additional UK-specific transition plan guidance alongside the new regulatory requirements.** This would ensure that UK firms meet global disclosure standards while also addressing domestic policy priorities. Such an approach would allow the UK to remain interoperable with international frameworks including the G20 Principles that it helped to create in 2024, reduce reporting burdens for companies, and reinforce the UK's role as a global leader in transition planning.

> **The transition plan requirements proposed in this response would be consistent with implementation of IFRS global standards via UK SRS**, and should – depending on the outcome of the Omnibus process – help build interoperability with requirements set by the EU; cutting down on the need for additional disclosure formats. The UK should make use of its leadership position to shape global norms, e.g. supporting further work

[52] IFRS, 2024, **COP28 Declaration of Support**
[53] DBT, 2025, **Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2**
[54] IFRS, 2025, **IFRS Foundation publishes guidance on disclosures about transition plans**

on transition plans under the G20 and using diplomatic levers to encourage the EU to align its standards more closely with IFRS.

For more analysis on the need for UK requirements to make use of the TPT Disclosure Framework, and how this forms a complimentary package with IFRS S2, please refer to our answer to Question 6.

8. [Climate adaptation and resilience] To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is adapting and preparing for the transition to climate resilience? If you believe IFRS S2 does not provide sufficient information, please explain what further information you would like to see.

IFRS S2 does not alone provide sufficient information on what information is needed in a credible transition plan. Whilst the S2 standard provides encouragement for disclosures related to physical risks, it does not set out the specifics of good practice on adaptation and, in cases where adaptation measures would not be financially material, does not call for disclosure around them. Whilst new IFRS guidance improves the situation and disclosing entities can additionally refer to TPT resources on adaptation specifically,[55] there is a need for government to take forwards specific disclosure requirements beyond IFRS S2 to ensure good practice is being encouraged around adaptation.

- **What the IFRS S2 does do is set out clear disclosure requirements in relation to climate-related physical risks.** Companies are expected to disclose how they identify, assess and manage these risks, including the use of scenario analysis, and to explain the resilience of their strategy under different climate pathways. The standard requires information on the current and anticipated effects of climate-related risks - including both transition and physical risks - on an entity's business model, value chain, financial performance and strategy. Whilst this is not a substitute for disclosures on adaptation, accompanying guidance further reinforces that both mitigation and adaptation are critical elements of a robust climate response.

- **The TPT Disclosure Framework goes some way to addressing the gap in IFRS S2.** One of the three pillars under the 'Strategic and Rounded Approach' put forwards by the TPT was around managing risk. Work on best practice for adaptation specifically has already begun through the

[55] IFRS, 2025, **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**

TPT Adaptation Working Group which published recommendations for integrating adaptation into transition plans,[56] and the Network for Greening the Financial Sector (NGFS)'s paper on integrating adaptation into transition plans.[57]

Section B1: Developing and disclosing a transition plan

Given the links between the above options and any requirements under UK SRS, we will account for your answers to questions 7 and 8 in considering your responses to the following questions.

9. What are the most important, decision-useful elements of a transition plan that the government could require development and/or disclosure of? Please explain why and provide supporting evidence.

Requirements should support a structured and comprehensive approach rather than attempt to pick key elements. A robust approach – such as the one outlined in the TPT Disclosure Framework - allows companies to build sophistication across all elements of a transition plan over time. The TPT's highly consultative process with over 600 organisations worked through which elements that should be included. These, based around the five key pillars, can be taken forward in their entirety.

- **The relevance and materiality of different components will vary significantly by sector, business model, and operating context.** Attempting to prioritise or mandate only select elements risks undermining the coherence and comparability of transition plans across the market.
- **The TPT approach is grounded in materiality.** Companies are expected to disclose information where it is material to their business strategy or operations. For example, engagement with government and policy may be a critical part of a transition plan for companies in regulated or high-emitting sectors, but less so for others. In this context, materiality thresholds offer an appropriate filter, rather than pre-selecting certain sub-elements as universally "most important."

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[56] TPT, 2024, **Building Climate-ready Transition Plans: An advisory paper from the TPT's Adaptation Working Group**
[57] NGFS, 2025, **NGFS publishes input paper on integrating adaptation and resilience into transition plans**

- **This approach ensures that disclosures remain meaningful and proportionate**, while also encouraging firms to develop a more mature understanding of the transition and how it intersects with their strategy. Supporting this trajectory of increasing rigour and coverage will be more impactful than narrowing focus to particular components.

10. Please state whether or not you support Option 1, which would require entities to explain why they have not disclosed a transition plan or transition plan-related information. Please explain the advantages and disadvantages of this option.

This option is insufficient for the following reasons:

- **Climate-related risks are widespread across the economy**. Allowing firms to avoid disclosure creates entities where that risk can go unaccounted for and makes these risks harder to address. Additionally, it would create incentives for existing risks to be moved to firms that are avoiding disclosure, building up risk in those entities. This would increase their vulnerability and the likelihood of those firms facing overwhelming losses.

- **A 'comply or explain' approach dilutes transparency and accountability of disclosure policy.** A 2023 study suggests that without appropriate engagement by oversight bodies, the comply or explain approach risks giving firms too much discretion, leading to performative compliance rather than genuine transparency.[58]

- **This approach would put the UK behind the growing international baseline**. Over 36 jurisdictions are adopting ISSB or adopting standards extremely similar to ISSB.[59] Of these, at least eight are making these requirements mandatory in the next three years.[60] This means that companies in eight jurisdictions will be obligated to disclose a transition plan if they have one. The UK must at least match this approach.

- **Worse cost benefit ratio to other options**. This option would have only minimal impact on mitigating costs, however giving a small minority the

[58] Dhir, Kaplan and Robles, 2024, **Corporate Governance and Gender Equality: A Study of Comply-or-Explain Disclosure Regulation**
[59] IFRS, 2025, **ISSB Activities Update**
[60] See answer to Question 5

ability to avoid disclosure would massively undercut the benefits of such a policy by allowing blind spots for users when comparing entities.

- If the government do take forwards a comply or explain approach, then they:

  - **Must make clear which requirement this refers to**. If a comply or explain approach is favoured in the near-term, then we recommend that the government take forwards a phased, building-blocks approach with a comply or explain, TPT-aligned transition plan requirement included alongside the UK SRS S2 standard. It is important that disclosed transition plans should align with the TPT Disclosure Framework to ensure consistency and comparability across the market (see our response to Question 6).

  - **Set clear expectations of when it is acceptable to 'explain' and what a valid explanation should consist of.** The government should issue guidance showing that the expectation is that most firms will be able to 'comply', with companies only taking the 'explain' when this is unavoidable and providing a thoughtful and comprehensive explanation. It is vital that the text of SRS S2 does not cause any confusion on this point, and that companies understand that not having a transition plan does not, in itself, constitute an adequate explanation for not disclosing. There should be a clear expectation for the 'explain' option to include strategic information about the company's progress towards transition planning.

  - **Government should also set a clear timeline for requirements to be made mandatory for all large firms over time.** As market familiarity with requirements grows, and capacity increases, government will want to address data gaps and should look to reduce the number of companies taking the 'explain' option. This should culminate in requirements being made mandatory in the medium term.

11. Please state whether or not you support Option 2, which would require entities to develop a transition plan and disclose this. Please further specify whether and how frequently you think a standalone transition plan should be disclosed, in addition to transition plan-related disclosure as part of annual reporting? When responding, please explain the advantages and disadvantages of this option.

E3G supports option 2 requiring mandatory development and disclosure of transition plans.

> **Government should make it mandatory for large companies to develop stand-alone transition plans.** This would ensure companies are taking appropriate steps to manage climate related risks, and are able to best identify and take advantage of the opportunities that the transition brings.

> **Progress against stand-alone transition plans should be included in annual reporting.** It is important that both changes to and progress against transition plans are clear in disclosed information. As explained by the TPT, the priority here should be to integrate transition planning into a business's strategy and therefore material information about progress against transition plans should naturally be included in annual mainstream strategy and risk reporting as well as any changes to the wider plan.[61]

> **Plans should be disclosed in line with business strategy – this is likely to mean every 3-5 years.** Transition plans are strategic documents which will not fundamentally change year-on-year. The priority should be to ensure that stand-alone plans form part of wider business strategy. And that transition plan disclosure cadence should enable the two to be developed together. TPT recommends full restatements of transition plan disclosures every three years[62] whilst the UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities suggest every five.[63] Plans should also take into account time-stamped climate goals and any updates to those goals or interim targets. Mandating a minimum cadence will ensure that plans remain up to date.

[61] See **TPT Disclosure Framework** Appendix 1 and 4.1.e, 4.2.e, 4.3.k,
[62] TPT, 2023, **Disclosure Framework**
[63] UN, 2022, **Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions**

- **The Government and regulators should clarify that where an organisation discloses a standalone transition plan, it may cross-refer to that plan in its general-purpose financial reports in order to meet climate-related financial disclosure requirements in UK SRS S2.** This is consistent with ISSB Standards and the draft UK SRS provides for cross-referencing to other reports as long as certain conditions are met (as set out in UK SRS S1, para 63, and paras B45-47). Clarifying that where organisations disclose a standalone transition plan, this information does not need to be repeated in the annual report would help limit required disclosures in the annual report to progress updates or minor amendments to the standalone plan.

- **Mandating disclosure of transition plans ensures that company boards receive a clear policy signal to integrate the climate transition into organisational strategy**, which in turn will make relevant strategic information more available to the market. This will support efficient capital allocation, maximise the value of climate reporting such as UK SRS S2, and, by increasing the availability and comparability of transition plan disclosures, reduce the cost for partners and investors of obtaining decision-relevant information for capital allocation.

For comments on scope, see section B6.

12. If entities are required to disclose transition plan-related information, what (if any) are the opportunities to simplify or rationalise existing climate-related reporting requirements, including emissions reporting, particularly where this may introduce duplication of reporting? These responses will support the government's review of the non-financial reporting framework.

Introducing a transition plan requirement alongside the UK SRS creates opportunities to streamline or replace existing disclosure requirements.

- **A transition plan requirement should be introduced alongside IFRS S2 adoption as part of a comprehensive UK SRS.** This combination would replace the existing TCFD requirements on a 'one in, one out' basis.

- **Requirements should help streamline existing rules.** This includes requirements from the FCA, DWP occupational pension scheme rules and duties under the Companies Act. This would streamline reporting requirements for businesses.

- **Government procurement policy should be updated from a 'carbon reduction plan' requirement[64] to a transition plan requirement.** This would reduce complexity for large companies operating as government suppliers.

- **Government and regulators should systematically look at other disclosure requirements to identify overlap and streamline where possible.** There is substantial opportunity for streamlining but the details depend on which companies are in scope for S2 and transition plan requirements. Potential candidates to start with would be ESOs, SECR and environmental disclosure requirements from Ofwat and the Civil Aviation Authority.

- **More broadly, where looking to reduce regulations, government should seek to create logical tests for assessing the value of regulations.** For disclosure regulations these tests could include judging efficacy at A) building the resilience of the UK financial sector, B) protecting consumers and partners from greenwash and other false information and/or C) driving growth.

Pension funds

13. How do you think any new transition plan requirements should integrate with the existing requirements in UK law for some larger schemes to produce TCFD reports and to calculate the portfolio alignment metric?

No answer

14. To what extent does your pension scheme already produce transition plans? What are their intended purposes, what information do they draw on, and what challenges have you encountered in developing them?

No answer

[64] Government Commercial Function, 2021, **Procurement Policy Note 06/21: Taking account of Carbon Reduction Plans in the procurement of major government contracts**

Section B2: Mandating transition plan implementation

15. To what extent do you support the government mandating transition plan implementation and why? When responding, please provide any views on the advantages and disadvantages of this approach.

E3G supports the government bringing in additional implementation requirements alongside requirements for entities to develop, disclose and align their transition plans.

- **Government should mandate transition plan implementation.** Market forces alone will be insufficient to ensure that plans are actually acted on. In order to create much needed stability and predictability in the market with regards to the implementation of transition plan promises companies and their partners must feel there is a disadvantage to not implementing plans. However, an implementation obligation does not hold companies to enact the plan if things change. It is essential that there are mechanisms by which companies can publish correction statements, similarly to how they do in other areas of business strategy.

- **Reporting on the progress of plans will come under the UK SRS.** The IFRS "quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a)"[65] ensures that where an entity has a plan it must disclose it and disclose progress against it.

- **Whilst disclosure alone should create some incentive towards implementation, government should monitor trends in transition plan disclosures to ensure that transition plans are working as expected to achieve climate goals**. The government should work with supervisors to create a consistent and formulaic approach to assessing trends in implementation across sectors and regions. This will tie into the government's work to draw learnings from plan disclosures to inform policy. For more on feedback loops see our response to Question 17.

- **The design of enforcement mechanisms should be developed once trends in implementation have been identified**. The government should be ready to introduce proportional enforcement and compliance

[65] IFRS, 2025, **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**

mechanisms over time should monitoring suggest that businesses are not taking great enough action to drive implementation. With the expectation that the main enforcement mechanisms should be market based, the government should investigate efficient ways to ensure that companies are implementing their plans. These mechanisms should be mindful of external dependencies and the fact that lack of implementation is often not down to a lack of action on the part of the entity. For more on this see the E3G response to the Department for Business and Trade Assurance Consultation.

> **Progress on implementation has preceded requirements with the private sector already starting to mobilise investment to take advantage of opportunities**, and protect themselves from risks associated with the net zero transition. 70% of FTSE100 companies already have a standalone transition plan.[66] However, approaches are inconsistent, and some large emitters have rolled back on pledges.

> **A lack of availability of relevant, comparable and credible data is holding back investment.** A 2023 poll by BNP Paribas of 420 investors, covering asset owners and managers, hedge funds and private equity firms, found that 71% viewed 'inconsistent and incomplete' data as the biggest barrier to ESG investing.[67] A recent study by the Financial Reporting Council (FRC) has highlighted concerns about the immaturity of the UK sustainability assurance market and that a lack of clarity on the UK's regulatory position could hinder investment, planning and capacity development.[68]

> **A lack of credibility and consistency between approaches is a major barrier to unlocking the full benefits of transition planning.** This hinders the comparability and usability of existing plans especially for external users such as investors. The lack of regulation around approaches also gives rise to greenwash with 87% of investors believing that corporate reporting contains unsupported sustainability claims.[69] This lack of confidence in disclosed information leads to reduced investment as the market does not have the confidence to commit funds.

[66] Deloitte, 2024, **Corporate Reporting Insights: Surveying FTSE Annual Reports**
[67] Reed Smith, 2024, **ESG Ratings – the challenges of comparison and reliability**
[68] Deloitte, 2025, **FRC publishes final recommendations on its market study into sustainability assurance reporting**
[69] PwC, 2022, **Global Investor Survey**

- **Transition plans are not just a reporting tool; they are a mechanism for delivering real-world decarbonisation.** Developing transition plans ensures that businesses can respond strategically to climate change and are participating in the whole-of-economy transition to a low-carbon economy.

- **Transition plans enable firms to assess the materiality of climate change to business strategy.** This in turn supports material and relevant reporting and disclosures, including to comply with the incoming UK Sustainability Reporting Standards (SRS) and to meet the PRA's supervisory expectations.

- **Investors and other users need comprehensive data availability across the market if they are to make informed investment decisions.** This is especially important in high-emitting sectors where a business's plan to decarbonise is critical to its future prospects, and is also essential information for potential partners.

16. In the absence of a legal requirement for companies to implement a plan, to what extent would market mechanisms be effective mechanisms to ensure that companies are delivering upon their plan?

The absence of an obligation to implement would create dissonance: companies may continue to publish forward-looking plans without being tested on delivery, undermining market integrity and creating legal uncertainty. This was highlighted in cases such as Shell.[70]

- **Whilst the introduction of a mandatory disclosure obligation may incentivise implementation of plans, the government must be prepared to bring in further requirements and incentives for implementation in future** if the change this requirement creates does not lead to a sufficient improvement in implementation trends.

- **Without implementation or behavioural change, transition planning risks becoming 'transition on paper' only.** This would represent a continuation of market failure, with risks associated with a late, disorderly transition as action is pushed into the future and the rate of decarbonisation to achieve goals increases over time.

[70] BIICL, 2025, **The Shell Case and the Corporate Climate Transition Plan Obligation**

- **There is currently no significant market reaction or accountability when companies renege on the targets and actions set out in their plans.** Market based mechanisms are limited in two main ways:

  - **Legal action for misleading disclosure is highly limited.** The Erskine Chambers opinion makes clear that the bar for liability for misleading statements is high.[71] It concludes that liability will not arise simply because the targets and expectations in a climate transition plan, adopted in good faith, are not met. Nor will liability arise simply because the steps identified in a plan are not implemented. A board that acts honestly and follows appropriate processes will generally have robust defences. On that basis, it would be wrong to assume that disclosure of targets and implementing actions, combined with the prospect of liability for misleading statements, creates a de facto obligation to implement the plan. In practice, successful actions of this kind are likely to be difficult and rare. Without more, this creates the risk of "rolling amnesia," where companies comply by publishing future targets but are not held accountable for delivery over time.

  - **Voluntary approaches and investor pressure have only limited efficacy in incentivising action.** The shortcomings of voluntary approaches are well documented by the UN High-Level Expert Group[72] and by Oxford Net Zero,[73] among others. Persistent market failures remain in voluntary transition planning, particularly around the lack of consistency and comparability of disclosed targets, commitments and plans. The Corporate Climate Responsibility Monitor 2025 highlights these shortcomings,[74] as do studies in Nature Climate Change,[75] which show limited accountability when companies renege on targets. In this environment, there is little market penalty for non-delivery, and stakeholders increasingly resort to courts or quasi-judicial processes to hold companies accountable for greenwashing or weak target-setting.

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[71] ClientEarth, 2025, **Legal Opinion on Transition Plan Disclosures**
[72] UN, 2022, **Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions**
[73] Oxford Net Zero group, 2024, **Enforce net zero with global 'ground rules,' say Oxford academics**
[74] New Climate Institution, 2025, **Corporate Climate Responsibility Monitor**
[75] Nature Climate Change, 2024, **Turning a groundswell of climate action into ground rules for net zero**

Section B3: Aligning transition plans to net zero by 2050

17. What do you see as the potential benefits, costs and challenges of government mandating requirements for transition plans that align with Net Zero by 2050, including the setting of interim targets aligned with 1.5°C pathways? Where challenges are identified, what steps could government take to help mitigate these?

Entity-level goals should be aligned with credible sectoral pathways where they are available and with national climate goals where credible pathways are not available. Credible pathways should be grounded in climate science and ladder up to meet national and international climate goals under the Paris Agreement – including the goal of limiting temperature rises to well below 2C and pursuing efforts to limit it to 1.5C. The government should mandate that firms disclose the dependencies and external factors that delivery of their entity-level goals are dependent on, creating policy feedback loops to address the barriers that firms identify.

Benefits to such a requirement:

- **Without a private sector transition, the government cannot meet its climate commitments under the Paris Agreement** including on mitigation, adaptation and financial flows. It is critical that UK business and its global value chains reduce GHG emissions in line with the Paris goal of limiting temperature rise to well below 2C and pursuing efforts to limit it to 1.5C. This is reflected in the consultation's stated policy objectives of supporting an orderly transition in line with global climate goals, as well as realising the benefits of this transition.

- **Businesses see benefit to alignment with international and national climate targets.** Managing transition and policy risks, ensuring that operations and products are future proof, matching consumer ambition and reducing reputational costs and exposure to legal risk are key benefits that motivate businesses to align with science-based climate targets.[76]

- **Transition plans have a key role in providing the information needed for policymaking.** Requirements must tie into wider government policy and

[76] Grant Thornton, 2025, **Demystifying transition planning**

regulatory changes directed at accelerating transitions at the national and sector level.

Regarding entities' role in driving progress towards national climate targets:

- **To ensure that business and government are aligned in tackling climate change, it is critical that the ambition of entity-level transition plans is consistent with economy or sector-wide science-based pathways that are aligned with Paris goals**, and that plans explain how the company seeks to align the company's actions and activities with such pathways. As assessed in the consultation document, many corporates and financial institutions are already using global, standard, methodologies, such as the SBTi standards, tools and guidance, to achieve this.

- **However, government must recognise that Paris alignment is typically not entirely within the control of a single company.** Therefore, plans should identify and address the key assumptions, dependencies and other constraints that will either prevent or enable the transition plan to deliver full alignment. This should include setting out clearly the areas where government policy and action by other actors is required to meet the Paris ambition, expected changes in the real economy, and the levers the company is using to influence those constraints and dependencies. These inclusions will together show the plan's degree of alignment to Paris Agreement goals and the level of alignment the company can achieve through its own action.

- **The TPT Disclosure Framework recommends that companies disclose the key assumptions that they have made and the external factors on which they depend to achieve the Strategic Ambition of their transition plans.** This may include assumptions and dependencies on policy and regulatory action.

- **In subsequent years, the company's transition plan update can look back to assess performance and identify any specific blockages or constraints that may have held back progress.** Such an approach continues to galvanise government and industry around common, scientifically robust goals, while recognising the interdependencies a single company faces in achieving full alignment.

- **It is important that both changes to and progress against transition plans are clear in disclosed information.** As explained by the TPT, the priority here should be to integrate transition planning into a business's strategy and therefore material information about progress against transition plans should naturally be included in annual mainstream strategy and risk reporting.[77]

Regarding the government's role in driving progress towards national climate targets:

- **Government should pursue a whole-of-economy approach – with sectoral pathways laddering up to meet national goals.** Instead of relying solely on setting the expectation for entity level targets for net zero by 2050, the government should also co-create with stakeholders a holistic whole-of-economy transition plan that drives the economy as a whole to net zero by 2050. Large companies meeting net zero by 2050 would not necessarily be sufficient for the UK to achieve its NDC, and would not take into account variations in sector ambition and feasibility as outlined in the answer to Question 19. The government's plan should also include sectoral pathways and interim targets that better balance ambition and feasibility.

- **Government should accelerate its work to identify credible decarbonisation pathways (emissions intensity pathways) that companies can align with.** There are several options for doing this including the government creating a 'whitelist' of acceptable science-based pathways for companies to align with, setting criteria pathways selected by companies must meet, or the government requiring firm's UK operations to align with the UK's NDC and carbon budget.

Success will depend on creating feedback loops between entity-level transition plans and government climate policy:

- **An orderly economy-wide transition depends on strong feedback loops and consistency between the private and public sectors.** The government and regulators should monitor disclosure trends to ensure that transition plans are both working as expected to achieve climate goals (e.g. through their use in investment decisions), and to inform government owned policy pathways (e.g. through understanding firms' common and most important dependencies and external factors). Ensuring that plans include an account of the external factors and

[77] See **TPT Disclosure Framework** Appendix 1 and 4.1.e, 4.2.e, 4.3.k,

dependencies that affect implementation will ensure that the government has the data needed to inform where policy interventions will be most impactful, in turn also informing spending decisions. Having the ability to develop more precise and targeted policy will accelerate private sector transitions, scale investment and drive delivery of climate goals.

> **The feedback loop between private sector transition plans and policy formulation can shape the ongoing Industrial Strategy and inform government efforts to track net zero financial flows**. The government and industry should work together to address the constraints highlighted by business, with the government leading on the development of guidance and credible pathways to industry and key sectors where needed, including encouraging the development of credible pathways internationally and outlining how companies can choose the right pathway. Governments and regulators must take a collaborative approach to mitigate challenges for firms captured by regulations in multiple jurisdictions.

18. Which standards and methodologies are effective and reliable for developing and monitoring climate-aligned targets and transition plans, in particular those that are aligned with net zero or 1.5°C pathways? Where possible, the government would welcome evidence from entities that have used such methodologies, explaining how they have arrived at that conclusion.

> **Integration of targets and plans.** Effective transition planning requires more than credible target-setting. Plans must provide a strategy for delivery, including interim milestones, capital allocation, governance, and engagement. Methodologies such as SBTi or SDA/ACA are therefore best seen as providing the target setting function for targets, while frameworks like TPT, GFANZ and the UN Secretary-General's High-Level Expert Group guidance, provide the guidance and guardrails for developing the plan.

> **Climate-aligned targets.** There are two primary methodological approaches that have gained broad acceptance across voluntary frameworks for setting science-based, climate-aligned targets: the Absolute Contraction Approach (ACA) and the Sectoral Decarbonisation Approach (SDA). Both are used widely in tools such as the Science Based

Targets initiative (SBTi),[78] ACT (Assessing Low Carbon Transition),[79] and the Transition Pathway Initiative (TPI).[80]

- **Aligning with pathways.** These approaches are generally benchmarked against net zero or 1.5°C pathways. For example, SBTi requires targets to be aligned with a 1.5°C trajectory for Scope 1, 2 and 3 emissions.[81] Similarly, for financial institutions, tailored approaches are needed. For example, asset owners and managers may use the Net Zero Investment Framework (NZIF),[82] developed by the IIGCC.

- **Transition plans.** The key standards for transition planning itself are the Transition Plan Taskforce (TPT) Disclosure Framework,[83] the GFANZ framework for financial institutions,[84] and the ISSB's guidance on transition planning.[85] The TPT Framework is explicitly built on the ISSB baseline, was heavily referenced in the final ISSB guidance, and is becoming the universal benchmark for transition plan disclosure. Its core elements are highly consistent with the GFANZ framework, which is also widely used and explicitly 1.5°C-aligned. While the UN Secretary-General's High-Level Expert Group recommendations[86] are not generally applied as a disclosure standard, they are strongly aligned with the TPT approach, providing an important signal of broad international support for disclosure of these elements. In the EU context, the European Sustainability Reporting Standards (ESRS)[87] under the Corporate Sustainability Reporting Directive (CSRD)[88] set expectations for transition plans that are parallel to both the TPT and ISSB frameworks, while target-setting under CSRD frequently defers to methodologies such as SBTi.[89]

- **Transparency on progress and delivery challenges.** Any methodology - whether for targets or plans - must allow for transparent explanation of

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[78] SBTi, 2025, **Standards and Guidance**
[79] ADEME and CDP, 2017, **ACT: Assessing Low Carbon Transition**
[80] TPI, 2023, **TPI's Methodology Report**
[81] SBTi, 2025, **Standards and Guidance**
[82] IIGCC, 2024, **Net Zero Investment Framework**
[83] TPT, 2023, **Disclosure Framework**
[84] GFANZ, 2022, **Financial Institution Net-zero Transition Plans: Fundamentals, Recommendations, and Guidance**
[85] IFRS, 2025, **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**
[86] UN, 2022, **Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions**
[87] EFRAG, 2025, **Amended ESRS**
[88] European Commission, 2022, **Text of the CSRD**
[89] SBTi, 2025, **Standards and Guidance**

delivery challenges, including where targets have not yet been met and where outcomes depend on external factors such as policy reform, technology development or customer behaviour. This builds trust, avoids “transition on paper,” and enables companies to credibly navigate real-world complexity. Additionally, companies should not drop targets without explanation.

19. What are the unique challenges faced by hard-to-abate sectors in setting and achieving targets in transition plans aligned to net zero by 2050 – including interim targets? What methodologies or approaches would enable transition planning to support hard-to-abate sectors to achieve net zero by 2050?

A whole of economy approach (such as the one laid out in our response to Question 17) is preferable to only requiring all large companies to be net zero by 2050. Not all entities or sectors should have the same net zero target. For many companies in hard to abate sectors decarbonisation requires a longer timeline and is often reliant on innovation and technology timelines that cannot be accelerated beyond a certain point. For example, a lithium mine is unlikely to, in the medium-term, have the option to scale clean tech to fully decarbonise its operations at great pace – however it would not be considered an entity that should wind down operations by 2050. In contrast, some companies – for example power generating companies - should be expected to move further faster. For companies in sectors without a pathway, or for companies whose work sits outside of a clearly defined sector, the goal should be to reach net zero by 2050 (using appropriate milestones).

- **Companies are already gaining experience and experience in setting targets.** See response to Question 1.
- Major challenges include:
    - **Dependence on uncertain technology roadmaps.** For many sectors the exact mix and timeline of technologies needed to slash emissions is uncertain. The TPT sectoral guidance (now hosted by the IFRS)[90] highlights this issue and also the challenges it creates for firms and investors when addressing capital allocation questions, and plotting their own entity’s route to decarbonisation. However, as highlighted by the TFMR, this challenge is highly dependent on sector with many sectors having

[90] IFRS, 2025, **Transition Plan Taskforce resources**

a much clearer view of which technologies they need to pursue.[91] The government's approach to sectoral policy and sectoral pathway development should reflect this.

- **Access to transition finance.** As set out in the TFMR,[92] access to the quantities of transition finance needed to decarbonise, at rates that businesses can afford remains a major barrier to transition in both hard-to-abate and less-hard-to-abate sectors. The Review provides a wide range of recommendations for government and market to take forwards to address this challenge.

- **The use of carbon offsets.** Carbon offsets remain a contested area in transition planning. Some notable standard setters in this space e.g. UN Secretary-General's High-Level Expert Group, Science Based Targets Initiative, see no (or very little) role for offsets in meeting firm-level decarbonisation targets[93]. E3G recommends that offsets should not be used as a substitute for science-aligned decarbonisation activity, must be reported separately from entity-level reductions, and should meet the highest standards of integrity. They may nevertheless have a role in transition planning: for example, as a means of taking accountability when companies fall short of near-term targets, or in addressing residual emissions in hard-to-abate sectors on the path to net zero. Clear disclosure of where and how they have been used is essential, and there is a need for coherent HMG guidance - drawing on work such as the VCMI code of practice,[94] SBTi guidance,[95] and BSI frameworks.[96] It would be helpful to firms if the UK could align its approach to reporting of carbon credit use within transition plan disclosure requirements, with any other requirements for disclosure or reporting about these instruments that may be required in other contexts.

[91] TFMR, 2024, **Scaling Transition Finance: Findings of the Transition Finance Market Review**, p.71
[92] TFMR, 2024, **Scaling Transition Finance: Findings of the Transition Finance Market Review**
[93] UN, 2022, **Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions**, p.19
[94] VCMI, 2025, **Claims Code of Practice**
[95] SBTi, 2025, **Deep dive: The role of carbon credits in SBTi Corporate Net-Zero Standard V2**
[96] BSI, 2023, **A high-integrity standards framework for UK nature markets**

- **Transition plans must form a feedback loop with government policy, to ensure that the private sector is supported in its transition.** See response to Question 17.

20. For entities operating in multiple jurisdictions, what are your views on target setting and transition planning in global operations and supply chains?

- **UK multinational companies are already exposed to disclosure requirements from regulators in other markets in which they operate: most notably the EU.** Several strategic UK trade partners including EU, China, Japan, Hong Kong, Singapore, UAE and Australia are also implementing ISSB standards and/or transition plan guidance. Because of this the UK Government must ensure that UK transition plan requirements are interoperable with partners' requirements – prioritising most strategic partners. This will make sure that fragmentation of standards doesn't become a barrier for firms subject to multiple jurisdictions' requirements, e.g. the 1,183 affected UK companies operating in the EU.[97] Given that the EU accounts for 42% of UK trade (equivalent to £340 billion in exports),[98] an increasing number of UK companies will need to disclose non-financial information under EU requirements.

- **Entities operating across multiple jurisdictions should be required to develop transition plans and set targets that cover their global operations and value chains**, aligning with the Paris Agreement goal to limit warming to 1.5C. Given the global nature of climate risk and the interdependence of supply chains, credible transition planning must extend beyond UK operations to ensure material risks and opportunities are properly managed.

- **Requiring entities to align with the Paris Agreement ensures that global operations are all aligned behind the same target at group level.** Credible national targets, credible regional pathways and science-based industrial plans can be used to provide granularity as to what delivery looks like at national level, according to the geographies their operations are in. Where national sectoral emissions intensity pathways do not exist for firm to use in target setting, firms should declare this and use the

[97] Wall Street Journal, 2023, **At Least 10,000 Foreign Companies to be Hit by EU Sustainability Rules**
[98] House of Commons, 2023, **Statistics on EU-UK Trade**

closest relevant, credible pathway (for example a national sectoral or global pathway).

- **Companies can demonstrate alignment with science-based regional or national pathways to evidence the alignment of operations in those areas, where such pathways are available.** Transitions in some geographies are expected to be slower than others as the feasibility of decarbonising changes depending on local context (for example decarbonising energy generation is far more challenging in the Philippines than in the UK). Companies should therefore differentiate target setting across their operations to align to the best available, credible pathway by geography and sector. Government should also work to identify and help address gaps where credible, science-based pathways have yet to be developed, and to encourage ambition in NDCs and industrial strategies globally. This follows the recommendations of the TFMR.[99]

- **To support comparability and reduce reporting burdens, transition planning requirements in the UK should remain consistent with international standards which the UK has helped to create**, notably the IFRS S2[100] and the Transition Plan Taskforce (TPT) Disclosure Framework[101] as well as the G20 Transition Plan Principles. These frameworks provide flexibility for multinational entities to apply a consistent, strategic approach across jurisdictions, while allowing them to identify and disclose key assumptions, dependencies, and external constraints relevant to delivering on targets globally.

- **Transition plans should reflect science-based pathways for emissions reductions across global operations and disclose how entities are engaging with supply chain partners to support decarbonisation**. Where full alignment with Paris goals is dependent on government policy or third-party actions, entities should disclose these dependencies transparently. This approach provides investors with decision-useful information while creating feedback loops to inform UK and international policy development.

[99] TFMR, 2024, **Scaling Transition finance: Findings of the TFMR**
[100] IFRS, 2023, **IFRS S2 Climate-related Disclosures**
[101] TPT, 2023, **Disclosure Framework**

Section B4: Climate adaptation and resilience alignment

21. What is your view on the role of climate adaptation in transition plans? Is there a role for government to ensure that companies make sufficient progress to adapt, through the use of transition plan requirements?

There is a need for plans to cover adaptation as well as mitigation. In order to futureproof business, transition planning must consider not just mitigating measures and climate risk assessment, but also adaptation measures to address both physical and transition risks. A plan that covers both mitigation and adaptation is a far more decision useful communication to investors and other partners than only backward-looking risk disclosures (such as disclosures under the TCFD).

> **The TPT Disclosure Framework includes a 'Strategic & Rounded Approach' which includes risk as one of three core dimensions.** This includes physical risk. In addition, TPT had an adaptation working group and published recommendations for integrating adaptation into transition plans.[102] These dovetail with the Network for Greening the Financial Sector (NGFS)'s paper on integrating adaptation into transition plans.[103]

> **Adaptation remains less prominent in corporate practice.** Despite the criticality of undertaking action to adapt businesses to manage the impacts of climate change (e.g. managing increased extreme weather or wildfires), research by the Environmental Change Institute found that references to adaptation remain limited in many company disclosures.[104]

> **The challenge is less about the adequacy of disclosure requirements, and more about uptake and implementation.** Market practice continues to lag behind, particularly in relation to adaptation planning. We welcome steps by government and regulators to raise awareness of the importance of adaptation and resilience.

> **A transition plan requirement should include the recommendations of the TPT Adaptation Working Group[105]** to ensure that adaptation

[102] TPT, 2024, **Building Climate-ready Transition Plans: An advisory paper from the TPT's Adaptation Working Group**
[103] NGFS, 2025, **NGFS publishes input paper on integrating adaptation and resilience into transition plans**
[104] Environmental Change Institute, 2025, **Evidence review on the financial effects of nature-related risks**
[105] TPT, 2023, **Building Climate-ready Transition Plans: A Primer for Preparers**

planning is part of a company's sustainability strategy and information on that planning is available for partners.

See response to Question 8 for more on how the TPT adaptation recommendations fit alongside IFRS S2's requirements on adaptation.

22. How can companies be supported to undertake enhanced risk planning in line with a 2°C and 4°C global warming scenario? Are these the right scenarios? To what extent are these scenarios already being applied within company risk analysis and how helpful are they in supporting companies in their transition to climate resilience?

See response to Question 17 for an explanation of why alignment with the Paris Agreement (and the mechanisms beneath it) is more valuable than alignment with a temperature goal on its own.

> **To be effective, scenario-based risk planning must be grounded in credible and decision-useful assumptions.** The government should align its approach with established frameworks such as those developed by the Taskforce on Climate-related Financial Disclosures (TCFD), Climate Financial Risk Forum (CFRF) and the Network for Greening the Financial System (NGFS), all of which provide practical guidance and accessible tools for financial institutions, corporates and regulators undertaking climate scenario analysis.

> **In practice, companies - particularly financial institutions - require support in translating high-level scenarios into business-relevant impacts.** This includes the ability to model effects on key metrics such as credit default rates, asset values and capital allocation decisions. The more usable scenarios are in day-to-day risk management and strategic decision-making, the more likely they are to be adopted meaningfully.

> **While 2°C and 4°C scenarios have provided a useful framework to date, the context is shifting.** A 2°C world is increasingly viewed less as a "downside scenario" and more as a likely or even optimistic baseline. Accordingly, stress testing against more extreme scenarios may now be more relevant, especially for long-lived assets or regions particularly exposed to climate impacts.

> **There are growing concerns about whether existing climate scenarios adequately account for systemic risks such as tipping points.** Emerging nature-related scenario work has begun to incorporate the

macroeconomic consequences of ecosystem collapse - for example, by modelling the GDP impacts of nature degradation. Climate scenario tools will need to follow suit, with greater integration of complex, nonlinear risks and compounding global shocks.

> **It is important that scenario analysis is not treated purely as a quantitative exercise.** Materiality assessments, qualitative narratives, and judgement around the credibility of different scenarios are equally important - particularly where scenarios do not incorporate wider macroeconomic variables such as geopolitical instability, commodity shocks, or global trade disruptions. Supporting companies to use scenario analysis in a flexible but structured way will be key to advancing meaningful climate resilience planning.

Section B5: Nature alignment

23. To what extent do you think that nature should be considered in the government's transition plan policy? What do you see as the potential advantages and disadvantages? Do you have any views on the potential steps outlined in this section to facilitate organisations transitioning to become nature positive?

Over time, companies with material risk should be expected to integrate additional nature information into their transition plans. The end goal should be for material nature-related disclosures to be so commonplace that their absence is noted by other market actors. The TNFD transition planning guidance[106] builds on the TPT five elements and is a good starting point for this work.

> **Market understanding and best practice on nature is currently less developed than on climate.** The lack of equivalent methodologies and less developed market practice means it would be unwise to bring in nature requirements with this iteration of a transition plan regulation.

> **However, requirements should include hooks for future nature regulations.** Beyond reducing emissions and managing climate-related risks, transition plans will be essential tools for managing risks to nature in the UK economy. The government must carefully monitor these topics for new international standards and frameworks – starting with a

[106] TNFD, 2025, **Nature in Transition Plans**

potential IFRS Nature Standard.[107] There is already a strong start to thinking that government should learn from and use to shape their understandings of what requirements might look like in future. For example, the work of the TPT Nature Working Group.[108]

> **Plans can also be used to drive just transition policy aims in future.** The government can create hooks within disclosure requirements to ensure the information needed to inform policy development and to address issues relating to the just transition is available to partners, policymakers and regulators.

Section B6: Scope

24. Do you have any views the factors the government should consider when determining the scope of any future transition plan requirements?

Setting a size limit:

> **TCFD would be a logical place to start when deciding scope.** The definition of economically significant entities[109] as those that: have more than 500 employees that are: (i) traded, banking, insurance and AIM companies; (ii) private companies, and LLPs, with turnover of more than £500 million. These companies should already undertake TCFD reporting and will likely have the capacity to pivot to transition plan disclosures especially if those disclosures replace TCFD requirements. The government could also consider a materiality lens when deciding scope – including smaller companies in high emitting sectors.

> **Smaller companies should not be included as requiring development of a transition plan may take resources away from climate action.** Additionally, for many smaller companies transition planning is simpler and may not require such a thorough transition planning process. For example, a school will likely know that the majority of its emissions come from buildings, energy usage and transport – reducing the need to do complex and costly carbon monitoring exercises to inform where it should focus action. This does not exclude smaller companies from disclosing voluntarily. As evidence by Grant Thornton's survey of mid-market firms, there is no real correlation between whether companies

[107] IFRS, 2025, **IFRS Foundation and TNFD formalise collaboration to provide capital markets with high-quality nature-related information**
[108] TPT, 2024, **The Future for Nature in Transition Planning**
[109] DBT, 2024, **UK Sustainability Reporting Standards**

are considering a transition plan and whether they are likely to be covered by future requirements.[110]

> **The fewer companies in scope the less impactful the policy.** Whilst the government must work to ensure that smaller SMEs are protected, they must also take care to avoid setting the bar too high. The fewer companies that disclose the less climate-related information is available to the market. As show in the answers to Questions 1, 3 & 17, this information is critical for decision making.

> **Many companies are likely to be asked to disclose a transition plan, or information related to a transition plan, by partners in their supply chain.** This can create issues for SMEs, especially when confronted by multiple requests for variations on the same information in multiple formats. Whilst adopting the TPT Disclosure Framework could help improve the consistency between requests (and so reduce burden on SMEs), the government must do more to support small businesses in this area. Government should continue to support projects like Perseus,[111] the SME Climate Hub[112] and UK Business Climate Hub[113] in their work to alleviate the challenge for SMEs.

Inclusion of large, private companies:

> **Requirements should apply to large listed and private companies and financial institutions.** Applying requirements to large listed and private firms and financial institutions will embed transition planning across the UK economy and provide consistent information to markets. Maintaining a regulatory level playing field will reduce market distortion, removing any potential barriers to listings and ensuring that there is no incentive to move high-emitting assets into less transparent markets.

> **Transition plan requirements for large private companies would create a level playing field between private and public markets.** Asymmetric regulation creates issues for competitiveness and can lead to unintended and hard to envisage consequences. Using a size threshold would be consistent with TCFD requirements and those of the UK SRS.

[110] Grant Thornton, 2025, **Demystifying transition planning**
[111] Icebreaker One & B4NZ, 2024, **Perseus**
[112] We Mean Business Coalition, Race to Zero & Exponential Roadmap Initiative, 2025, **SME Climate Hub**
[113] Broadway Initiative & DESNZ, 2024, **UK Business Climate Hub**

> **Different regulation between private and public markets could lead to greater risk in private markets.** Symmetric requirements would encourage both listed and unlisted companies to steward decarbonisation. By designing separate requirements, government would inadvertently be creating incentives for high emitting assets to be transferred to less transparent private markets. This would create pockets of increased risk.

> **Excluding large private companies from transition plans would omit a significant part of the business community in developing net zero strategies.** In the UK, the top 100 private companies alone had combined sales of £237 billion in 2020 and employed more than 980,00 people.[114] Many of these companies (e.g. Octopus, John Lewis Partnership and IKEA) have already produced transition plans demonstrating the value of transition plans to private companies.

> **As highlighted by the Independent Review of Net Zero,[115] for transition plans to provide information for investment purposes they need to become a mandatory requirement for all large private firms.** Private equity investors are particularly well positioned to realise the opportunities of the net zero transition, through their long-term investment strategies and considerable control over portfolio companies. Listed institutional investors also invest in private markets and to deliver their transition plans will need information from portfolio companies in private markets.

Sector agnostic:

> **Requirements should be cross-sector and share the same commencement date.** This avoids complexity and ensures comparability and equality across the economy. While entities with the majority of their emissions in their Scope 3 category (such as financial institutions, retailers, or consumer goods companies) may depend on disclosures from partners to inform their strategy, there is already a wealth of proxy data and existing disclosures to allow them to begin planning their transition (if they haven’t already).

International considerations:

[114] Linklaters, 2020, **Top Track 100 - Britain's Top 100 private companies**
[115] Skidmore, 2022, **Independent Review of Net Zero**

- **Requirements should apply to all companies based, or operating, in the UK.** This mirrors the approach taken in financial reporting and ensures that firms competing in the same market face the same expectations. For multinationals with UK operations who are headquartered elsewhere, there should be an expectation for firms to report contextual information about the strategic approach to transition of their parent entities.

- **For UK-based multinationals, requirements should cover global operations as well as UK operations.** This reflects the reality that climate risk is global and ensures disclosures are decision-useful for international investors.

25. We are interested in views about the impact on supply chains of large entities that may be in scope of transition plan requirements. Do you have views on how the government could ensure any future requirements have a proportionate impact on these smaller companies within the supply chain?

- **Transition plan requirements for large entities will inevitably have downstream impacts on their supply chains, including smaller companies**. These impacts can be positive **-** stimulating innovation, investment, and emissions reductions **-** but there is also a risk of disproportionate reporting burdens on smaller firms.

- To ensure proportionality, the government should adopt a phased and supportive approach:

  - **Leverage existing disclosure mechanisms**. Smaller companies should not be subject to direct mandatory transition plan requirements. Instead, they should be encouraged to support the transition goals of larger firms through existing supplier engagement processes.

  - **Promote capacity building and guidance.** Government and industry bodies should provide clear guidance, tools, and technical support to help SMEs understand what is expected of them when supporting the transition plans of their larger partners.

  - **Enable proportional data collection.** Large firms should be encouraged to use consistent but materiality based approaches when seeking information from supply chain partners, avoiding one-size-fits-all demands that place undue pressure on smaller suppliers.

- **Encourage collaboration and aggregation.** Sector-wide platforms or industry initiatives (e.g., Climate Arc)[116] could help smaller suppliers pool resources or report data collectively, reducing duplication and administrative burden.

For impact on SMEs see our response to Question 24.

26. Do you have any views on how the government could redefine the scope to protect the competitiveness of the UK's public markets?

E3G would support the scope of requirements to be 'economically significant companies' which have more than 500 employees that are: (i) traded, banking, insurance and AIM companies; (ii) private companies, and LLPs, with turnover of more than £500 million. This would match the proposed scope of the UK SRS requirements. For more information on E3G's opinions on the scope of requirements see our response to Question 24.

- **Stock exchanges globally favour transition plan disclosures …** As highlighted in the UN Sustainable Stock Exchange 'Model Guidance on Climate Transition Plans', stock exchanges enable companies to access the capital they need to finance their transition goals and support investors in building transition-aligned portfolios. Their role as "conveners and platforms for transparency and accountability" is critical to achievement of that goal.[117]

- **The London Stock Exchange has a particular interest in being a leading stock exchange for companies seeking green or transition finance.** In her foreword to the UN SSE report, Dame Julia Hoggett highlighted the London Stock Exchange's goals to drive sustainable growth and importance of transition plans to achieve this.[118] This ties in with the findings of the TFMR that the UK is well positioned to lead in green and transition markets[119] and the government's wider goal to make the UK the leading sustainable finance capital of the world.[120] Transition plan disclosures make the UK's markets more competitive, not less.

[116] Climate Arc, **Who we are**
[117] UN SSE, 2025, **Model Guidance on Climate Transition Plans**
[118] UN SSE, 2025, **Model Guidance on Climate Transition Plans**
[119] TFMR, 2024, **Scaling Transition Finance: Findings of the Transition Finance Market Review** p.114
[120] DESNZ & DBT, 2025, **Plans for UK to become sustainable finance capital of the world**

See response to Question 1 for a summary of how transition plan requirements can help crowd in investment.

See response to Question 24 on the implication of not including private companies on competitiveness.

Section B7: Legal risk

27. Do you have views on the legal implications for entities in relation to any of the implementation options and considerations as set out in sections B1-B4 in this consultation?

A credible transition plan should be supported by the wider ecosystem and not open the disclosing firm up to additional risks. We expect the 'fear factor' of disclosure to fall in the UK context as firm-level familiarity with the process increases, but Government should consider providing guidance on this issue. Government should additionally consider what steps would most effectively limit liability risks for firms operating across jurisdictions.

- **To ensure this, the FCA's recent publication (stating that the 'recklessness' or 'dishonesty' standard should apply to transition planning information contained within prospectus documents) is an approach that should be replicated for standalone transition planning information**. This is in line with the findings of the recent legal opinion by Erskine Chambers[121] which states that: current legal frameworks in the UK which govern liability for misleading corporate statements set a high bar to liability; statements should not lead to risk of legal action in the UK unless knowingly or recklessly incorrect; that there are additional legal benefits to companies and their directors in that disclosure of well-prepared plans can reduce the legal risks they face, and; safe harbours are not required from a liability perspective.[122]
- **This matches the assessment of Clifford Chance, Linklaters and Slaughter & May of legal liability related to the use of the TPT Disclosure Framework.[123]** In a paper produced for the TPT, the firms identified that there should be no legal impediment arising from English law (or EU law where specified) on directors' duties or competition law

[121] ClientEarth, 2025, **Legal Opinion on Transition Plan Disclosures**
[122] ClientEarth, 2025, **Transition plan disclosure a climate and market imperative, not a legal trap, say lawyers**
[123] TPT, 2023, **Legal considerations for transition plan preparers using the TPT Disclosure Framework**

that would prohibit a UK company from disclosing a transition plan in accordance with the Framework.

28. In the UK's wider legal framework what – if any - changes would be necessary to support entities disclosing transition plans and forward-looking information?

Changes needed will depend on legal route and design choices taken. For example whether requirements are brought in through the Companies Act, FCA handbook for regulated firms or as a standalone piece of legislation.

> **If transition plans are disclosed on a stand-alone basis, it would be proportionate to extend the effect of CA s.463 to cover them** so that Directors are protected by dishonesty-based liability thresholds in the same way as they are for other aspects of corporate reporting.

> **Bespoke safe harbours are not required**. At least insofar as liability for misstatement is concerned. Please see our response to Question 27 and the findings of the recent legal opinion by Erskine Chambers.[124]

Section C: Related policy and frameworks

29. What role could high integrity carbon credits play in transition plans? Would further guidance from government on the appropriate use of credits and how to identify or purchase high quality credits be helpful, if so, what could that look like?

Please see response to Question 19.

30. Are there specific elements of transition plan requirements or broader policy and regulatory approaches from other jurisdictions that the government should consider?

> **In several jurisdictions, sector plans or pathways have been developed to inform transition planning.** Japan's Ministry of Economy Trade and Industry (METI) produced roadmaps for 8 sectors to serve as a reference point for companies in developing their transition plans. Similarly in France, the French Agency for Ecological Transition (ADEME) developed sector transition plans for 9 energy intensive sectors. Australia's draft transition plan guidance sets out expectations that companies should

[124] ClientEarth, 2025, **Legal Opinion on Transition Plan Disclosures**

refer to its Australia's sector plans when setting their mitigation ambitions and identifying decarbonisation levers.

> **Sector plans and pathways can support companies raising finance for their transition plans.** Japan's Basic Guidelines on Climate Transition Finance ask companies raising transition finance to refer to these roadmaps,[125] with USD 17 billion raised in the labelled transition finance market in Japan as of June 2025.[126] In Hebei province in China, Guidelines for Transition Finance in the Iron & Steel Industry were published in December 2023, setting out technologies eligible for transition finance, clear timeframes for emissions reductions and expectations to produce transition plans. This has led to transition finance by the end of 2024, with USD 2.8 billion in steel transition loans issued in Hebei, whilst Chinese issuers have also launched 12 steel related labelled bonds totalling USD 3 billion.[127]

> **The government should consider how to create incentives for transition planning.** Japan is considering that companies in-scope of the emissions trading system be required to set ambitious emission reduction targets and submit their transition plans in order to qualify for certain free emissions allowances.[128] In both France[129] and Japan[130] the governments subsidise the cost of a transition assessment. The UK already has some incentives levers it can pull, by aligning its procurement 'Carbon Reduction Plan' requirements with the broader transition plan regime and by increasing use of transition plans by public finance institutions, building on existing practice by UK Export Finance and British International Investment.

> **Government should leverage insights from transition plans to inform policymaking.** Transition plans are providing rich, forward-looking information for financial markets already, and some firms are also using transition plans to inform their engagement with policymakers. Regulators and policymakers can leverage the data firms are developing to inform policymaking decisions, with transition plans yielding insights

[125] METI, 2021, **Basic Guidelines on Climate Transition Finance**
[126] Environmental Finance, 2025, **Japan's transition bonds**
[127] Climate Bonds, 2025, **Financing the Decarbonisation of China's Steel Sector, Insights from the Transition Finance Pilot and Market Progress**
[128] METI, 2025, **Japan Climate Transition Bond Framework**
[129] ACT, 2025, **ACT In France – Financial Support**
[130] METI, 2025, **Japan Climate Transition Bond Framework**

on key barriers and enablers to corporate action, as well as planned projects. Data analytics will be needed to make transition plan data policy-useful, with the EU Joint Research Centre already mapping projects disclosed in companies' transition plans against available infrastructure (such as carbon capture pipelines and storage) to support industrial decarbonisation policy.[131] There is also potential to track private finance flows in transition plans to inform policy interventions, with the EU Platform on Sustainable identifying EUR 206 billion invested by companies with credible transition plans over and beyond taxonomy-aligned capital expenditure.[132]

31. How can transition planning contribute to achieving the UK's domestic net zero targets while ensuring it supports sustainable investment in EMDEs, where transition pathways may be more gradual or less clearly defined?

> **To scale finance in EMDEs, the government should take forwards the recommendations of the TFMR.**[133] TFMR chapter 6 covers a range of policies and actions government can take to unlock flows of transition finance to EMDEs. These include advocating for national sectoral pathways in EMDEs, leading on the development of financing platforms such as JETPs, and using the UK's position as a key shareholder of several MDBs to increase the impact of their operations in EMDEs.

> **UK domestic targets and the global transition hinge on decarbonisation of EMDEs.** Many products consumed in the UK are created in EMDEs and capital flows from the UK come with responsibilities for UK policymakers.

> **Information gaps are a major barrier to capital flows to EMDEs.** Sending a clear signal that transition plans are desired from EMDE-based companies can help fill these gaps, increasing the value of reporting information for investors. Forward-looking transition plans can fulfil this role far better than TCFD disclosures, reducing capital flight as climate risks, and the perception of climate risks, grow.

> **Transition planning can help mobilise finance to EMDEs.** Transition planning can play a critical role in mobilising finance for EMDEs by providing the transparency, credibility, and structure that investors and

131 Pickard Garcia et al. 2024, **Credible company transition plans for climate change mitigation: a geographical dependency assessment**
132 EU Platform on Sustainable Finance, 2025, **Monitoring Capital Flows to Sustainable Investments**
133 TFMR, 2024, **Scaling Transition finance: Findings of the TFMR**

financial institutions require to allocate capital at scale. Clear, robust transition plans signal that companies and governments in EMDEs are proactively managing climate risks and positioning themselves to capture low-carbon growth opportunities. This can help attract both domestic and international investment.

> **EMDEs may be on different, less ambitious decarbonisation pathways than the UK.** Less agency to control emissions and greater vulnerability to transition and physical climate risks creates a different context for decarbonisation in many EMDEs. In some cases, it may be that emissions in EMDEs go up before they go down. See response to Question 20 for more on the use of regional, science-based pathways to address this challenge.

> **UK Government should encourage and support the development of credible science-based sectoral pathways by interested EMDEs.** As recommended by the TFMR, the government should use its position and the UK's expertise to aid in the development of sectoral pathways in EMDEs, this will allow for credible alignment of capital with climate targets without stymying capital flows to EMDEs.

32. How could transition planning account for data limitations, particularly in EMDEs, where high-quality, comparable sustainability reporting may be less available?

Transition planning must account for data limitations in EMDEs, where sustainability data may be less available, less standardised, or harder to verify. These constraints are particularly relevant for UK-based entities with global operations or supply chains. To address this, the government should support a pragmatic, risk-based approach within transition plan requirements:

> **Encourage transparency about data limitations.** Companies should be required to identify and disclose where data gaps exist, explain how estimates have been used, and outline plans to improve data quality over time. This builds trust and provides useful context for investors.

> **Allow for use of best-available data and proxies.** Transition plans should permit the use of sectoral or regional proxies, estimates, or scenario-based analysis where primary data is unavailable, particularly in EMDE contexts - provided the methodologies are disclosed.

- **Support alignment with global frameworks.** By encouraging use of internationally recognised standards such as IFRS S2 and the TPT Disclosure Framework, the UK can help ensure that companies apply consistent principles even in lower-data environments, enabling comparability while avoiding excessive burden. Currently over 15 EMDEs have adopted the ISSB standards with another 9 in the process or considering doing so.[134] Those that have adopted include Malaysia, Pakistan, Kenya and Ghana.[135]

- **Promote capacity building in EMDEs.** Through diplomatic and trade channels, as well as continued support of the work of the International Transition Plan Network, the UK should support initiatives that improve sustainability data infrastructure in EMDEs, including technical assistance, knowledge-sharing, and harmonisation efforts.

33. What guidance, support or capacity building would be most useful to support effective transition planning and why? For respondents that have developed and/or published a transition plan, what guidance, support or capacity building did you make use of through the process? Please explain what additional guidance would be helpful and why?

See answers on transition pathway development in Questions 15, 17 and 31.

- **Government should fund the development of market best practice.** Since the retirement of the Transition Plan Taskforce there has been a growing lack of a central, government-backed coordinating function which can continue market capacity building on transition planning. The government should mirror its work through DEFRA with the Green Finance Institute on nature disclosures, funding the Transition Finance Council to convene sector specific roundtables and continue building UK leadership.

Further comments

Cost vs benefits of disclosing a plan

Whilst developing and implementing a plan is not without cost, the benefits overwhelmingly outweigh those costs. Additionally, widespread voluntary disclosure, and requirements in other jurisdictions shifts the onus on

[134] IFRS, 2024, **Use of IFRS Sustainability Disclosure Standards by jurisdiction**
[135] IFRS, 2024, **Use of IFRS Sustainability Disclosure Standards by jurisdiction**

government to developing a robust policy that is interoperable with others, so reducing the much more prevalent costs and complexities created by fragmentation.

- **The benefits of developing and disclosing a transition plan outweigh costs.** This is evidenced by the high voluntary rate of disclosure. 65% of corporates think that achieving the goals in their transition plans will make them more competitive and over half (54%) of institutional investors think that corporates with ambitious transition plans have a competitive edge.[136]

- **Clearer guidance on what information needs to be reported will improve the quality and usability of disclosure and cut back on complexity for companies reporting.** Fragmentation and a lack of consistency in the interpretation of existing requirements has led to lower quality, less usable, disclosures and created unnecessary complexity for companies disclosing plans. Recent research has highlighted significant weakness in the quality of mandatory climate-reporting as part of the Companies Act 2006, with wide variation in company interpretations of requirements.[137] Providing clear guidance will ensure disclosures are higher quality, more easily comparable and help simplify the process for companies.

Additional steps to build trust in transition plan disclosures

- **Building confidence in the market also requires work to ensure the wider ecosystem is able to trust in market information**. Just as is the case already for financial information, the government should continue to engage finance, real economy firms and civil society to ensure there is confidence that companies are implementing their plans and following robust methodologies. Where gaps are identified, government should consider further measures to promote action.

- **On ensuring the accuracy of information in the market, we welcome the government's consultation on how it can grow the sustainability assurance market in the UK.** The government should additionally continue work to build credibility in the ESG ratings ecosystem.

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[136] Lloyds, 2024, **Credible Transition Plans: Reporting vs Reality**
[137] FRC, 2025, **Climate-related Financial Disclosures by AIM and Large Private Companies**

About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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