Department for Energy Security & Net Zero

Transition plan requirements consultation

Consultation seeking views on implementation routes for transition plan requirements

Closing date: 17 September 2025

June 2025

Any enquiries regarding this publication should be sent to us at: transitionplans@energysecurity.gov.uk

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Foreword by the Secretary of State for Energy Security and Net Zero

Clean energy is the economic and industrial opportunity of the 21st century. The Prime Minister's mission to make Britain a clean energy superpower is about harnessing its potential not just to increase our energy security, but also to create jobs, boost exports and drive economic growth.

With net zero sectors growing three times faster than the overall economy last year, we can already see the huge benefits clean energy offers to the UK. But we know we need to unlock tens of billions of pounds a year of largely private investment to deliver our mission – and transition planning will be crucial to helping businesses and investors seize the opportunities it presents.

That is why we are now consulting on how to implement our manifesto commitment to mandate UK-regulated financial institutions and large companies to develop and implement credible transition plans that align with the 1.5C goal of the Paris Agreement. In 2023, over 70% of FTSE 100 companies were already doing some form of transition planning voluntarily, according to CDP. This consultation explores the design of future requirements, including taking forward recommendations from last year's Transition Finance Market Review.

Transition plans are a vital part of our commitment to secure Britain's position as the green finance capital of the world. This offers a significant growth opportunity for the UK's financial services sector, which is why we are putting sustainable finance at the heart of our upcoming Industrial Strategy. As the Chancellor said in her Mansion House speech last year, we want Britain to be the place where the energy transition is financed.

More widely, transition plans would help mobilise the investment needed to seize the benefits of clean energy revolution across the economy – growing our clean energy industries, future-proofing existing sectors, and increasing our economic resilience to climate impacts. It is for all these reasons that transition planning will be central to delivering our number one mission on economic growth.

The government has been moving at speed to deliver our missions, and this consultation takes the next steps. As we do so, we are committed to working in the closest partnership with businesses, investors, trade unions and civil society on these issues. The government will do whatever we can to ensure any future regulation is simple and easy to navigate, in light of our agenda to ensure that the regulatory landscape functions effectively, and our drive to ensure that UK capital markets remain internationally competitive.

We encourage everyone with an interest in transition planning to engage with this consultation and look forward to continuing to work together in the months and years ahead.

Rt Hon Ed Miliband MP
Secretary of State for Energy Security and Net Zero

General information

Why we are consulting

The government has committed to mandating "UK-regulated financial institutions (including banks, asset managers, pension funds and insurers) and FTSE 100 companies to develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement" and the government announced in November 2024 that we would consult in the first half of 2025 on how best to take forward our transition plans policy.

This consultation now seeks views on how the government could take forward the government's manifesto commitment. Mobilising public and private finance will be critical to achieving our Growth and Clean Energy missions. A strong sustainable finance policy framework - including transition plan requirements - is critical to driving transparency in financial markets and investment into the sectors that are crucial to meeting our carbon budgets, ensuring there is resilience to a warming climate, and reversing the decline of nature. It also provides a huge opportunity to support economic growth both through the financial services sector and by supporting capital allocation into clean energy and transitioning industries.

The government wishes to consult with stakeholders about the design of potential future requirements, to ensure appropriate consideration is given to the practicalities of implementing these.

Consultation details

Issued: 25 June 2025

Respond by: 17 September 2025

Enquiries to:

Ben Fagan-Watson
Green Finance Team
Department for Energy Security and Net Zero
3 Whitehall Place
London
SW1A 2AW

Email: transitionplans@energysecurity.gov.uk

Consultation reference: Transition plan requirements consultation

Audiences: Companies, financial institutions, pension funds, civil society organisations

Territorial extent: The outcome of this consultation will inform policy development. The territorial extent of any measures will be considered as policy is developed following this consultation.

How to respond

Respond online at: https://energygovuk.citizenspace.com/climate-change/climate-transition-plan

or

Email to: transitionplans@energysecurity.gov.uk

Write to:

Ben Fagan-Watson
Head of the Green Finance Team
Department for Energy Security and Net Zero
3 Whitehall Place
London
SW1A 2AW

When responding, please state whether you are responding as an individual or representing the views of an organisation. Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. The Department for Energy Security and Net Zero may share consultation responses with the Department for Science Innovation and Technology who are carrying out analysis of consultation responses using an Artificial Intelligence (AI) tool. The AI tool processes data securely and does not copy or share data. There will also be a third-party analysing the responses. The data will only be accessed and used by those authorised to do so. See our privacy policy. The personal data will only be made available to those with a legitimate business need to see it as part of consultation process. The key departments with an interest in this consultation are HM Treasury, Department for Environment, Food and Rural Affairs, Department for Work and Pensions and the Department for Business and Trade.

We will summarise all responses and publish this summary on GOV.UK. The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

In taking forward this consultation on transition plan requirements, there are close links between the remits of the Financial Conduct Authority and Financial Reporting Council and any regulations that government may introduce in future. The government, the Financial Reporting Council and Financial Conduct Authority are therefore working closely together to ensure that future requirements are implemented in a co-ordinated manner. Unless respondents request otherwise, responses to this consultation will be shared with both organisations. We encourage stakeholders to respond to a forthcoming consultation from the Financial Conduct Authority on sustainability reporting requirements for listed companies, referring to the UK Sustainability Reporting Standards and Transition Plan Taskforce Disclosure Framework (recognising that this has been incorporated into the IFRS Foundation's resources), which we expect to be published following the government's consultation on the endorsement of UK Sustainability Reporting Standards (UK SRS).

Quality assurance

This consultation has been carried out in accordance with the government's consultation principles.

If you have any complaints about the way this consultation has been conducted, please email: bru@energysecurity.gov.uk.

Purpose for this consultation

The government has set out its ambition for the UK to be the world leader in sustainable finance. This includes delivering a regulatory framework to support sustainable growth and enable the private sector to realise the opportunities of the transition. According to Bloomberg New Energy Finance (BNEF), the UK will need to see £130 billion of total investment into the transition each year on average to 2050 to stay on track for their Net Zero Scenario, the majority of which will need to come from the private sector[1]. This is over double the 2024 level of low carbon investment[2]. To meet this investment gap, government, regulators and industry will need to work in partnership, to put in place the policy and legal frameworks to support investment decisions. An important objective of this work is to deliver decision-useful and credible information about sustainability and climate-related financial risks and opportunities to investors. This is also fundamental to building and promoting secure and sustainable growth.

As part of the Mansion House package in November 2024[3], HM Treasury (HMT) set out the steps that government is taking to strengthen the UK's attractiveness as a destination for inward investment and as a centre for sustainable finance. The government recently undertook a consultation seeking views on the development of a UK Green Taxonomy[4], while also acting on a recommendation from the Transition Finance Market Review to co-launch the Transition Finance Council with the City of London Corporation. In addition, the government is taking forward measures to enhance integrity and trust in the sustainability-related information produced for financial markets. HMT has published draft legislation regarding the regulation of ESG (environmental, social and governance) ratings providers[5], while the Department for Energy Security and Net Zero is consulting on the implementation of integrity principles for voluntary carbon and nature markets.[6]

Alongside this work, the government is committed to delivering decision-useful sustainability-related financial information to the financial markets. It is a well-established principle that investors need rigorous and comparable financial information regarding the future prospects of the companies in which they invest. As an extension of this principle, the government is keen to ensure that investors have information they need to make informed decisions about the sustainability-related risks and opportunities that would reasonably be expected to affect an entity's financial prospects. At present, requirements are already in place through climate-related disclosure obligations introduced in 2022. Reflecting significant international developments in recent years, the government is considering how to build on those

[1] DESNZ analysis of Bloomberg New Energy Finance's (BNEF) New Energy Outlook dataset (2024).
[2] DESNZ analysis of Bloomberg New Energy Finance's (BNEF) Energy Transition Investment dataset (2025).
[3] GOV.UK: Mansion House 2024 collection.
[4] GOV.UK: UK Green Taxonomy consultation.
[5] GOV.UK: Future regulatory regime for Environmental, Social, and Governance (ESG) ratings providers consultation.
[6] GOV.UK: Voluntary carbon and nature market integrity: UK government principles policy paper and GOV.UK Voluntary carbon and nature markets: raising integrity consultation.

requirements to create an enhanced regime for sustainability-related financial disclosures that is fit for the future.

The development of an enhanced UK sustainability disclosures regime will support the government's ambitions for long-term sustainable growth, creating greater awareness across the economy regarding the systemic risks that market participants face and how they should be managed. At the same time, for regulation to be effective, government must actively consider the needs of business and the impacts of regulation upon them. Reporting entities require time to put in place processes and systems to disclose information, while the UK's legal frameworks and organisational structures require modernisation to reflect changes in reporting and assurance practices. In addition, the government is keen to ensure that future requirements fit together in a coherent, proportionate and cost-effective manner. This is aligned with the objectives of the government's ongoing wider review of non-financial reporting, which aims to streamline and modernise the UK's currently complex legal framework, contributing to the Government's ambition to reduce the costs of regulation for business by 25%[7]. As a result, the government's focus when designing future, additional regulatory requirements is limited to those economically-significant entities where there is likely to be stronger public and investor interest.

With these considerations in mind, the government is taking a phased approach to modernising the UK's framework for corporate reporting related to sustainability information, ensuring that market participants have sufficient opportunity to influence the UK's future legal framework. The first phase consists of 3 consultations:

- The first consultation seeks views on the exposure drafts of UK Sustainability Reporting Standards (UK SRS),[8] which are based on the standards published by the International Sustainability Standards Board (ISSB™) in June 2023. The UK SRS will serve as the foundation for the UK's future sustainability disclosures regime and this consultation is the culmination of the UK's process to assess the suitability of the ISSB Standards for use in the UK. Throughout this process, international comparability has been a priority and the government has aimed to limit divergence from the ISSB Standards as far as possible, reflecting the efforts of many jurisdictions around the world to converge around a single set of standards.[9] As a consequence, the consultation proposes some minor amendments to the standards, to reflect their use in a UK context, while retaining the advantages of international comparability that the ISSB Standards are intended to achieve. In addition, the consultation seeks views on the costs and benefits of UK SRS – which will inform future government decisions on whether to require economically-significant companies to disclose information in accordance with UK SRS.

[7] PM remarks on the fundamental reform of the British state: 13 March 2025, GOV.UK.
[8] GOV.UK: Exposure drafts: UK Sustainability Reporting Standards.
[9] To understand developments in other jurisdictions, please see IFRS - Use of IFRS Sustainability Disclosure Standards by jurisdiction. Regular updates of jurisdictional updates are also provided by the UK Sustainability Disclosure Technical Advisory Committee as part of regular meeting updates, see 'TAC Update June 2025' as the latest example at UK Sustainability Disclosure TAC Meetings and Summaries.

- The second consultation focuses on providers of assurance over sustainability-related financial disclosures following the conclusion of the Financial Reporting Council's (FRC) recent market study on this theme.[10] In particular, the government is seeking views on a proposal to introduce a registration regime operated by the Audit, Reporting and Governance Authority (ARGA) once established. This will form part of the government's work to strengthen audit and corporate governance.[11] The regime would recognise assurance providers as being capable of assuring information disclosed against UK SRS, European Sustainability Reporting Standards (ESRS) and any jurisdictional standards that are aligned to the ISSB Standards.
- The third consultation (and the subject of this document) seeks views on the government's manifesto commitment on the theme of transition planning. This consultation seeks stakeholder views on how transition plan requirements could be taken forward and the government is particularly keen for views on the role of transition plans alongside UK SRS.

Collectively, these consultations represent the first step in developing a UK sustainability reporting framework that is fit for the long term. There will then be further phases of consultation, which will cover proposals on sustainability reporting and assurance. This work will be complemented by a consultation that will focus on streamlining the UK's current non-financial reporting framework under the Companies Act 2006, as announced by the Secretary of State for Business and Trade in October 2024.[12] The consultation, delivered as part of the Non-Financial Reporting Review, will focus on updating the structure of the Annual Report so that it can integrate sustainability related reporting requirements, whilst also removing redundant and duplicative requirements that have built up over the years. The updated framework will seek to ensure that only information that is decision-useful is required to be disclosed and that this is provided in a format that best meets the needs of investors and other users. In doing so, the non-financial reporting review aims to support growth and the UK's international competitiveness, while contributing to the government's ambition to achieve a 25% reduction in the administrative costs of regulation for business.

In taking forward this package of reform, there are close links between the remits of the government, the Financial Conduct Authority (FCA) and FRC. We are therefore working closely with FCA and FRC to ensure that any future requirements are implemented in a co-ordinated manner, and that decisions carefully consider the international competitiveness of the UK's capital markets.

Finally, the government recognises that companies and investors would benefit from as much information as possible regarding the timeframes for possible future requirements coming into

[10] Financial Reporting Council: Assurance of Sustainability Reporting Market Study.

[11] GOV.UK: The King's Speech 2024 – Oral statement to Parliament.

[12] UK Parliament: The UK's Modern Industrial Strategy – Statement made on 14 October 2024, by Jonathan Reynolds.

effect. Subject to future decisions, we intend to provide a roadmap of any future requirements as part of the subsequent phases of consultation. In the meantime, it is important to note that sustainability disclosure and sustainability assurance requirements that may be introduced via the Companies Act 2006 will be dependent on future legislation. However, future reporting requirements introduced by the FCA can come into effect earlier and, as stated previously, the FCA has indicated that it intends to consult separately on its approach to introducing disclosure requirements for listed companies.

Background

The net zero transition is the economic and industrial opportunity of the 21st century. According to DESNZ analysis of Bloomberg New Energy Finance (BNEF) data, global investment into low-carbon sectors amounted to £1.6 trillion in 2024, with total investment in UK low-carbon sectors representing 1.8% of GDP, the second highest share within the G7.[13]

Reindustrialising the country with thousands of skilled jobs will be key to supporting growth. This will ensure businesses are able to not only reduce their emissions but also take advantage of the transition to new low-carbon technologies, allowing UK industry to remain competitive globally, and supporting the millions of manufacturing jobs in regions across the UK. The net zero economy also needs to be resilient to the impacts of a changing climate and depleted natural capital that we are already beginning to see, so that businesses can avoid financial losses which could otherwise materialise.

Transition planning is a process that entities undertake to define a strategic roadmap for their transition towards net zero. The roadmap they create outlines how an organisation intends to adapt and transform its operations, strategies, and business models to align with sustainability goals. It also details the targets the organisation has developed, how it intends to realise those targets and the interaction that the transition to net zero might have with the company's wider operations and strategic planning.

Definitions of transition plans:

IFRS S2: An aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.[14]

Transition Plan Taskforce: The TPT builds from the definition in IFRS S2, recommending that a good practice transition plan clearly articulates the entity's Strategic Ambition. This comprises its objectives and priorities for responding and contributing to the transition towards a low GHG-emissions, climate-resilient economy. It also sets out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.[15]

Robust transition plans, and the process of undertaking transition planning, can help entities and investors to manage and properly price risks and will better highlight where transition risks and opportunities exist within our economy, thereby helping to stimulate investment.

[13] DESNZ analysis of BNEF's latest Energy Transition Investment data, 2025.
[14] IFRS S2, Appendix A Defined terms, Climate-related transition plan
[15] TPT Disclosure Framework, Defining a good practice transition plan

Transition plans can also help to mobilise the public and private finance that will be critical to achieving our Clean Energy Superpower and Growth Missions. The Transition Finance Market Review[16] has called for widespread, credible and comparable transition planning to underpin the credibility of the UK's transition finance market. The transparency that transition plans can provide will be an important factor in establishing a credible, thriving transition finance market.

Across the globe, companies are increasingly publishing transition plan information. CDP's report "The State of Play: 2023 Climate Transition Plan Disclosure"[17] states that of the over 23,000 companies reporting to CDP, 25% of companies said they had a 1.5°C-aligned climate transition plan in place, and nearly 40% of reporting companies were disclosing data against at least two-thirds of the indicators needed to form a credible plan. In the UK, this trend is reflected in the growing number of businesses committing to climate action. The Science Based Targets initiative's (SBTi) "Monitoring Report 2023" found that the number of UK companies with validated science-based targets grew by 104%, from 340 in 2022 to 693 in 2023[18].

Despite these positive signs and the emergence of industry best practice, there remains a gulf between the number of companies with a public climate or environmental targets, and those with robust, transparent and actionable transition plans to achieve those targets. CDP reports that of the almost 1,800 publicly listed organisations in the UK disclosing transition plans, 88% are disclosing against fewer than 15 of the 21 credibility indicators, mirroring similar trends of preparedness across EU nations[19]. Bridging the gap between ambition and delivery is a key driver for developing the UK's transition planning policy.

We committed to mandate UK-regulated financial institutions and FTSE100 companies to develop and implement credible transition plans that align with 1.5°C. This consultation seeks your views on each element of this commitment: designing a transition plan; disclosing the plan; having a plan aligned with climate ambition; and implementing a plan. We are seeking your views on the potential routes to take forward these different elements and are particularly interested in feedback on how the design of any transition plan requirements could support the Prime Minister's commitment to design regulation that not only protects consumers and supports competition, but also encourages new investment, innovation, and growth without introducing overly burdensome reporting requirements.[20]

This consultation also seeks views on whether and how climate resilience and nature could be incorporated over time to ensure a holistic approach to transition planning by companies.

Our work on transition plans is supported by a wider package of measures on sustainable finance. In the Mansion House package in November 2024, HM Treasury outlined the steps the government is taking to deliver the foundations of a world-leading sustainable finance framework to drive investment in the green transition and deliver economic growth. The Financial Conduct Authority (FCA) has also introduced its Sustainability Disclosure

[16] Transition Finance Market Review, City of London Corporation, 2024.
[17] The State of Play: 2023 Climate Transition Plan Disclosure, CDP, 2024.
[18] SBTi Monitoring Report 2023, SBTi, 2023.
[19] The State of Play: 2023 Climate Transition Plan Disclosure, CDP, 2024.
[20] PM Remarks on the Fundamental Reform of the British State (March 2025).

Requirements (SDR) and investment labels regime, which aims to help consumers navigate the market for sustainable investment products.

The government wants to ensure that any future transition planning requirements achieve the following objectives:

- support an orderly transition in line with global climate goals;
- enhance transparency for investors and promote efficient capital allocation;
- support companies to capture the opportunities from the global net zero transition; and
- support the UK's growth by ensuring its sustainable finance framework is internationally competitive and maintains the UK's status as a global financial hub.

The government also wants to ensure that the design of any future transition plan requirements supports UK businesses and is aligned with the Prime Minister's commitment to reduce regulatory compliance costs by a quarter.

This consultation is divided into three sections where we are seeking your views:

A) The benefits and use cases of transition plans;

B) Implementation of transition plan requirements; and

C) Related policy and frameworks.

At this stage, we are not seeking stakeholder views on the potential accountability mechanisms for any future requirements, nor on the implications of disclosing commercially sensitive information. The Government recognises that these would be key in any future consultations once the Government has confirmed its preferred approach.

A) The role of transition planning

A1) Background on the Transition Plan Taskforce and the International Sustainability Standards Board

The government recognises that transition planning and transition plan disclosures have broad support across the investment community, regulatory bodies and standard setters, both domestically and internationally, including by the G20 Sustainable Finance Working Group and the International Organisation of Securities Commissions.[21] In particular, the Transition Plan Taskforce (TPT) has been influential in building awareness of the advantages that transition planning can offer and developing tools to aid entities in realising this. Launched by HM Treasury in April 2022, the TPT was tasked with developing a gold standard framework for climate transition plan disclosures for both the financial and real economy sector. Following consultation, the TPT published its final disclosure framework in October 2023. The TPT's materials have been made available by the International Sustainability Standards Board (ISSB) for companies to refer and use as guidance, as the ISSB is now responsible for these materials. The ISSB is expected to issue further guidance on the use of TPT's disclosure and educational materials regarding corporate disclosure of transition plans in due course.[22]

Alongside the work of the TPT, there have been significant developments to incorporate reporting of sustainability and climate-related financial risks and opportunities, including transition plans, within international financial reporting frameworks and standards. The ISSB published its first two standards in June 2023, with the ISSB's climate standard (IFRS S2) requiring the disclosure of information about an entity's transition plans where an entity has one. The government intends to develop UK versions of these standards for voluntary use (UK SRS) and is currently consulting on the exposure drafts of these. The availability of UK SRS will provide a consistent baseline for the disclosure of sustainability-related financial risks and opportunities by businesses. Once final versions of these standards are available, the government will also consult on whether to require economically-significant private companies to report against the UK SRS.

A2) The benefits of transition plans and transition planning

Evidence increasingly suggests that transition planning can deliver significant benefits for companies, including **supporting firm-level emission reductions, increasing competitiveness and reducing the cost of debt**[23]. Transition planning is also an important

[21] IOSCO Report on Transition Plans, IOSCO, 2024.
[22] See Transition Plan Taskforce resources, at IFRS - Transition Plan Taskforce resources.
[23] Progress Achieved and the Path Ahead, TPT, 2024; Accelerating UK Corporate Decarbonisation, CDP and Bain & Company, 2024; on competitiveness - Credible Transition Plans; Reporting vs Reality, Lloyds,2024; on cost of debt - Corporate net zero transition and financing cost, Zhou, Williams and Shrimali, 2024.

process to embed action on these issues throughout an entity's operations and their wider value chain.

Pension schemes are exposed to climate-related risks, regardless of their size, the nature of their investments or their time horizons. When considering the financial implications of climate change, trustees and investment managers should understand the different implications of transition risks and physical risks for their portfolios. Information from transition plans has the potential to be transformative for pension funds, including local government pension schemes - particularly in supporting governance bodies, trustees and managers (as well as their investment service providers), to integrate financially material risks and opportunities into investment considerations, thereby enabling better informed decisions.

The Transition Finance Market Review stated that "consideration should be taken to ensure transition planning is viewed as a wider component of business strategy, rather than only as a compliance and disclosure obligation."[24] Embedding transition planning at a strategic level can help ensure that companies and financial institutions realise the benefits of transition plans, including the ability to manage the risks and seize the opportunities of the transition to net zero. According to a Lloyds Bank report on credible transition plans, 65% of executives believe that achieving all their targets will make the company "more" or "much more" competitive.[25]

As well as generating value within an entity, the preparation and disclosure of transition plans has wider benefits to investors, capital markets, public bodies and policymakers. Disclosure of this information can assist capital allocation decisions, support shareholder engagement with companies, help prudential regulators understand systematic risks, and inform policymakers, as well as informing management decision-making within companies.

The preparation and disclosure of transition plans can also support broader economic growth by attracting additional capital investment into green and transition sectors, encouraging innovation and the adoption of efficiency improvements, and helping to support jobs. Consideration of climate adaptation and resilience can help safeguard capital assets from climate-related depreciation, ensure business continuity, and strengthen economic resilience. Reducing investor uncertainty surrounding long-term decarbonisation in hard-to-abate sectors can also help reduce barriers to accessing transition finance. In turn, this will help the UK to leverage its global leadership in sustainable finance to capture a significant portion of the emerging global transition finance.

[24] Transition Finance Market Review, Scaling Transition Finance; Transition plan disclosures; 2024.
[25] Credible Transition Plans: Reporting vs Reality; Lloyds Banking Group, p16, 2024.

A3) Use cases for transition plans

The TPT highlights the following key recommendations for inter-related channels [26] for entities that develop transition plans:

- **Decarbonising an entity**: Its ambitions and actions, either in its own operations or value chain, in the short, medium and long term, to reduce its GHG emissions (e.g., to net zero).
- **Responding to the entity's risks and opportunities**: The entity's ambitions and actions to enhance its resilience to the changing climate and respond to the risks and opportunities that arise from the transition to a low-GHG emissions, climate-resilient economy.
- **Contributing to an economy-wide transition:** The entity's ambitions and actions to use the levers and capabilities it has available to embed and accelerate a transition to a low-GHG emissions and climate-resilient economy.

In addition to the channels outlined above, and the strategic use cases outlined in the TPT Disclosure Framework[27], the findings of the Transition Finance Market Review underscore the importance of transition plans in **supporting the deployment of transition finance**. According to the Review's Call for Evidence, 93% of respondents "agreed" or "strongly agreed" that there is a significant role for TPT-aligned transition plans in the provision of transition finance, highlighting that they provide useful information and strategic context in which to evaluate a company's transition strategy[28]. This points to an additional use case for transition plans as potential enablers of private investment into decarbonisation, as mechanisms to support the credibility of transition finance by limiting the risk of actual or perceived greenwashing.

The government therefore sees transition planning as valuable both in terms of **improving corporate transparency and in terms of supporting global efforts to tackle the climate and nature crisis**. It also supports the UK in meeting its domestic obligations under the Climate Change Act (2008) to be net zero by 2050, environmental protection obligations under the Environment Act (2021) and international commitments under the Paris Agreement, including the UK's 2030 and 2035 Nationally Determined Contributions. It also has potential value to sector specific-regulators, central banks for monitoring financial stability risks and in government procurement policy.

[26] Transition Plan Taskforce, Disclosure Framework, TPT, 2023.
[27] Transition Plan Taskforce, Disclosure Framework, TPT, 2023, p.11.
[28] https://www.theglobalcity.uk/insights/scaling-transition-finance.

QUESTIONS

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?**

2. **For preparers of transition plans: Does your organisation already produce, or intend to produce, a transition plan and disclose it publicly?**

    a. **[if yes] What specific drivers have motivated your entity to engage in transition planning?**

    b. **[If yes] Based on your experience, do you have any reflections on the purpose, benefits and costs (e.g. additional FTE, setup costs, etc) of developing your own transition plan?**

    c. **[if yes] What specific challenges or obstacles (e.g., regulatory, organisational, market-related, guidance), if any, did or do you face in preparing your transition plan?**

    d. **[if yes] Did you make use of the TPT's materials (now managed by the ISSB), and if so, how? Were there any challenges in doing so? Are there any further pieces of guidance or support that you feel would be helpful?**

    e. **[If no] If no, what are the main barriers preventing your organisation from developing a transition plan? Please provide any evidence where available to support your answer.**

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)**

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.**

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

B) Implementation options

The following sections set out potential options that the government is considering on how best to take forward future transition plan requirements in line with the manifesto commitment.

The government wants to ensure that transition plan requirements generate robust and decision-useful information, for investors and other stakeholders, while not being overly burdensome for companies and financial institutions to meet. We are considering all options set out below, and view them as 'building blocks', meaning that we could take forward some options in conjunction with others. We are keen to assess stakeholder feedback on how these meet the government's objectives (set out in Background) before finalising our approach. Once we have reviewed the feedback to this consultation and decided upon the overarching approach, the government will consult again on the detail of any future obligations. We will also consider responses to the consultation on the UK Sustainability Reporting Standards.

We will work closely with the FCA, which sets disclosure requirements for listed companies and FCA-regulated financial institutions. The FCA intends to consult on strengthening its expectations for listed companies' transition plan disclosures as part of its broader consultation on implementation of UK SRS for listed companies. The FCA's focus when it comes to transition plan disclosure is on enhancing market integrity by providing the appropriate degree of transparency to support investor decision-making and the effective functioning of financial markets.

We welcome views on what support the government would need to provide for those obligations to be successful in meeting the objectives set out in the Background section of this consultation, and on the factors that currently limit or restrict the level of an entity's ambitions when developing a transition plan. We ask stakeholders to bear in mind the government's wider ambition to simply the UK's corporate and non-financial reporting framework and reduce the administrative costs of regulation for business by 25%.[29] Any future decisions regarding transition plan requirements will be considered holistically alongside any changes that may arise from the UK government's review of non-financial reporting. When making these decisions, the government will also consider the impact of any proposals on the competitiveness of the UK's capital markets and the degree to which decisions made within the UK align with international trends.

[29] PM remarks on the fundamental reform of the British state: 13 March 2025, GOV.UK.

Initiatives already underway

The UK has long been a global leader in climate transparency, from establishing the world-leading Climate Change Act 2008 and ensuring transparency on government targets and progress, to introducing climate-related disclosure requirements aligned with the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations and supporting the work of the TPT. There are already several initiatives underway across the UK Government and its regulators to increase the disclosure of key information related to transition plans, which are set out in the paragraphs below.

As set out below and in DBT's consultation[30], government is consulting on the draft UK SRS for endorsement alongside this consultation on transition plans. Once endorsed, these standards will be available for voluntary use in the UK. Companies reporting against UK SRS S2 that have transition plans would be required to disclose these plans and related information, including metrics and targets, key assumptions used in developing their transition plan, and dependencies on which the entity's transition plan relies. Preparers would be encouraged to refer to guidance about what information could be included in a transition plan (i.e. ISSB's TPT materials) to support them.

Subject to UK SRS S2 being endorsed for use in the UK, the government will also consult on whether to mandate UK SRS disclosures for companies through the Companies Act (2006). To inform these decisions, the consultation on the content of UK SRS also seeks views on the benefits and costs of companies making disclosures in accordance with UK SRS. In particular, government is seeking views on the merits of non-listed companies being required to disclose information in accordance with the standards.

The FCA intends to consult on moving from TCFD-aligned disclosure requirements to UK SRS for listed companies. This would include the provisions on transition plan disclosures within UK SRS, as set out above. The FCA has also said that, as part of this consultation, it will propose to strengthen its expectations for listed companies' transition plan disclosures, with reference to the TPT Disclosure Framework recognising that this has been incorporated into the IFRS Foundation's resources.

The FCA has also said that, as next steps under its Sustainability Disclosure Requirements (SDR) and investment labels regime, it will consider updating disclosure requirements for asset managers in line with the UK SRS standards and the TPT Disclosure Framework.

Since October 2021, trustees of larger occupational pension schemes and authorised master trusts and collective money purchase schemes have been required by The Occupational Pension Schemes (Climate Change, Governance and Reporting) Regulations 2021 to take specific actions to integrate the consideration of climate-related issues into their governance processes in line with the TCFD recommendations and to make public disclosures. From October 2022, this has included disclosures related to their investment portfolio's alignment

[30] https://www.gov.uk/government/consultations/exposure-drafts-uk-sustainability-reporting-standards.

with the Paris Agreement goal of limiting the increase in the global average temperature to 1.5 degrees Celsius above pre-industrial levels.

In addition, trust based occupational pension schemes that are required to prepare statements of investment principles (SIP) must cover in those statements the trustees' policies in relation to ESG considerations (including but not limited to climate change) that are considered by the trustees of the scheme to be financially material. Trustees of such schemes must also prepare an implementation statement, which provides information on how and the extent to which the trustees, in their opinion, have followed their stewardship and engagement policy (set out in the SIP) and describes voting behaviour by or on behalf of the trustees. TCFD reports and SIP implementation statements also need to be posted on a publicly available website, leaving it open to public scrutiny from regulators, pension savers and others.

The Department for Work and Pensions (DWP) is to undertake a review of the Climate Change Reporting Regulations this year, building on evidence provided by the Pensions Regulator. DWP considers the review to be a natural place from which to consider the impact of the current climate disclosure regime and potential next steps on climate change-related reports.

In addition to the TCFD review, DWP has asked the Pensions Regulator to assess the practicalities of transition plans for pension schemes. The regulator is convening an industry working group involving sector stakeholders and some of the largest occupational pension schemes and will present findings to DWP later this year.

Company reporting on non-emissions factors such as climate adaptation and nature is less advanced, but there is increasing recognition of their importance. The Transition Finance Market Review recognised that whilst it had focused on what was needed to enable transition finance for reducing emissions, it was also increasingly important to consider non-emissions factors in broader decision-making. The publication of UK SRS, once endorsed, could be used by companies to report on nature-related risks (UK SRS S1) and includes disclosure requirements on climate adaptation and resilience (UK SRS S2). The Transition Plan Taskforce published a primer on how companies could consider the adaptation of companies' assets, functions, and supply chains, including how companies could collaborate to engender system-wide change, and the Taskforce for Nature-Related Financial Disclosures (TNFD) is currently considering nature transition planning.

Information on transition plan disclosure frameworks – Transition Plan Taskforce and UK SRS

Over the past three years, there have been significant developments in the field of transition planning, including work undertaken by the TPT and the ISSB. We are keen to hear stakeholder views on these developments. Additionally, UK SRS S2, as consulted upon, contains several requirements to publish information that might also be published within transition plans.

The Transition Plan Taskforce Disclosure Framework

The Transition Plan Taskforce (TPT) published its final framework in October 2023 and later published seven pieces of guidance covering specific sectors. The government welcomes this work and the thought leadership offered by the TPT, which has offered a significant contribution to the global conversation on best practice disclosures: indeed, the International Sustainability Standards Board's decision to integrate the TPT's work into its intellectual property reflects the impact of this work.

The TPT's Disclosure Framework reflects international approaches to transition plan disclosure. It has been designed to mutually support transition plan disclosure requirements in the ISSB's IFRS S2 Climate-related Disclosure standard and is also aligned with the transition plan guidance developed by the Glasgow Finance Alliance for Net Zero[31].

The TPT's Disclosure Framework is structured around three 'guiding principles' for the development and disclosure of transition plans: Ambition, Action, and Accountability. Under these principles, the TPT organised its disclosure framework through five elements, which it considers essential for high-quality transition plan disclosures. These elements are summarised below, and we recommend that the reader consults the TPT's framework for a more detailed explanation of the recommended disclosures[32].

Summary of the Five Disclosure Elements within the TPT Framework[33]

Foundations: An entity shall disclose the Strategic Ambition of its plan. This shall comprise the entity's objectives and priorities for responding to and contributing to the transition towards a low GHG emissions, climate-resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts on stakeholders and society, and safeguards the natural environment. Under this element, an entity should also disclose the high-level implications that this transition plan will have on its business model and value chain, as well as the key assumptions and external factors on which the plan depends.

Implementation Strategy: An entity shall disclose the actions it is taking within its business operations, products and services, and policies and conditions to achieve its Strategic Ambition, as well as the resulting implications for its financial position, financial performance, and cash flows.

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31 Glasgow Financial Alliance for Net Zero, 2022, Financial Institution Net-zero Transition Plans – Fundamentals, Recommendations, and Guidance https://www.gfanzero.com/our-work/financial-institution-net-zero-transition-plans/.

32 TPT Disclosure Framework, 2023 https://www.ifrs.org/sustainability/knowledge-hub/transition-plan-taskforce-resources/.

33 TPT Disclosure Framework, section 4, 2023 https://www.ifrs.org/sustainability/knowledge-hub/transition-plan-taskforce-resources/.

Engagement Strategy: An entity shall disclose how it is engaging with its value chain, industry peers, government, public sector, communities, and civil society in order to achieve its Strategic Ambition.

Metrics & Targets: An entity shall disclose the metrics and targets that it is using to drive and monitor progress towards its Strategic Ambition.

Governance: An entity shall disclose how it is embedding its transition plan within its governance structures and organisational arrangements in order to achieve the Strategic Ambition of its transition plan.

The government welcomes stakeholder views on the TPT's framework and the disclosure recommendations that it contains. In particular, we are interested in understanding the extent to which the TPT's framework is being applied by reporting entities compared to other disclosure frameworks. In addition, for those entities using the framework, the government is keen to understand whether they use the framework in its totality or in part, and why.

QUESTIONS

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.

UK Sustainability Reporting Standards S2

When considering how to take forward future transition plan requirements under the manifesto commitment the government views transparency as key. Transition plan related disclosures provide valuable decision-useful information to investors, shareholders and other market participants about the preparations an entity is making for the transition to a low-carbon economy.

We announced last year that the government would consult on whether to mandate reporting against UK SRS, subject to an affirmative endorsement decision. These standards provide a detailed framework to ensure rigorous and consistent disclosures of material information about an entity's governance, strategy, risk management and metrics and targets relating to sustainability and climate-related financial risks and opportunities across entities. These are designed for entities to report annually, with information integrated within their financial report. The government is currently consulting on an exposure draft of these standards and we encourage stakeholders to consult that document alongside this consultation[34].

Overall, the objective of UK SRS S2 would be "to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity." To deliver that objective, UK SRS S2 requires an entity to disclose information about climate-

[34] https://www.gov.uk/government/consultations/exposure-drafts-uk-sustainability-reporting-standards.

related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.[35] The disclosures are designed to be made on an annual basis, alongside an entity's wider financial statement and non-financial disclosures.

UK SRS Materiality definition

Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general-purpose financial reports make on the basis of those reports (UK SRS S1, para 18; Appendix A Defined terms).

Within the context of this materiality filter, there are several detailed disclosure requirements within UK SRS S2 that are designed to ensure users of general-purpose accounts are given information to support decision-making regarding an entity's climate-related risks and opportunities. To understand these requirements, we advise readers of this consultation to consult the body of the standard, as well as the ISSB's basis for conclusions, which was published alongside IFRS S2.[36] However, we have provided a short summary below to support readers in understanding how disclosures made in accordance with UK SRS S2 are likely to provide information that might also be included within transition plans.

Requirements within UK SRS 2 relevant to transition plans

Paragraphs 5-7 of UK SRS S2 include several requirements to enable users of general-purpose financial reports to understand the governance processes, controls and procedures that an entity uses to monitor, manage and oversee climate-related risks and opportunities. These include requirements for an entity to explain information about their governance structure, management responsibilities, delegation procedures and the monitoring processes for overseeing climate-related risks and targets, including how climate-related considerations are factored into executive remuneration.[37]

Paragraphs 8-23 introduce various disclosure requirements that are designed to ensure that users of general-purpose financial reports understand an entity's strategy for managing climate-related risks and opportunities. Among other things, these requirements require disclosures regarding:

- The existing and anticipated changes to the entity's business model, including its resource allocation, to address climate-related risks and opportunities. For example, these changes could include plans to decommission carbon-, energy- or water-intensive operations.[38]

[35] IFRS S2, Basis for Conclusions on Climate-related Disclosures, Objective and scope BC17-25; 2023; ISSB-2023-C – Issued IFRS Standards.
[36] ISSB, Basis for Conclusions on Climate-related Disclosures (June, 2023), available at ISSB-2023-C – Issued IFRS Standards.
[37] For executive remuneration, see paragraphs 6(v) and 29(g) draft UK SRS.
[38] Draft UK SRS 1, para 9(a), 14(a)(i)).

- The existing and anticipated mitigation and adaptation efforts that are directly within the company's operations or within its value chain. For instance, these efforts could include changes to production processes or relocating facilities.[39]
- The effects of climate-related risks and opportunities on the entity's financial position, financial performance and cashflows, both for the reporting period and over the short, medium and long term;[40] and
- The resilience of the entity's strategy and its business models to climate-related risks. For instance, UK SRS require entities to explain the climate risk analysis that they have conducted, whether their risk analysis is based on a climate scenario set out in the latest international agreement and the entity's capacity to adjust or adapt its strategy over the short, medium and long-term.[41]

Paragraphs 24 and 25 set out further detail regarding the disclosures an entity must make to help users understand the risk management processes in place and the methodological approach taken to risk management. These paragraphs supplement earlier requirements regarding climate resilience and include obligations to disclose information about how the entity assesses the nature, likelihood and magnitude of climate-related risks, as well as how the entity prioritises climate-related risks relative to other risks.

Finally, paragraphs 27-37 include requirements for disclosures regarding metrics and targets, which are designed to help a reader understand the entity's performance in relation to its climate-related risks and opportunities, including any climate-related targets it has set for itself or any targets that it is required to meet by law and or regulation. Among other things, these paragraphs require disclosure of:

- Greenhouse gas emission data, including Scope 1, 2 and 3 emissions.
- Information that allows a user to understand that amount and percentage of assets that are vulnerable to climate-related risks and aligned with climate-related opportunities.
- Information regarding any climate-related target that the entity has set, including the metric used to set the target, the objective of the target, interim targets, how the target has been informed by the latest international agreement on climate change, and whether the target and the methodology for setting the target have been validated by a third party. In addition, the standard requires an entity to disclose its performance against each target and to explain any revisions to the target.
- How the entity intends to use carbon credits to achieve any net greenhouse gas emissions target it might have.

It is important to note that UK SRS S2 will not require an entity to have a transition plan or to set climate targets in line with a particular climate goal. However, the standards do require disclosures of a proportion of the information that frameworks such as TPT state should feature in a transition plan. As a result, disclosures made in accordance with the standard may

[39] Draft UK SRS 1, para 9(b), 14(a) (ii-iii).
[40] Draft UK SRS 1, para 9(d), 15-21.
[41] Draft UK SRS S2, para 9(e), 22.

provide investors with useful information about how an entity is responding to the transition and its level of ambition to decarbonise its operations.

In addition, the ISSB specifically concluded that users of general-purpose financial accounts would find it helpful to have information where an entity has a transition plan which sets out how it intends to respond to a lower-carbon economy. As a result, the strategy obligations within UK SRS S2 require those entities that have a transition plan to disclose information about that plan, including information about the key assumptions and dependencies upon it relies.[42] These obligations are designed to ensure that information regarding a transition plan can be considered within the context of disclosures relating to an entity's wider business strategy.[43]

Although UK SRS S2 contains many obligations that cover information relating to transition plans, the government recognises that it does not explicitly require disclosure of a transition plan, nor set out what information is expected to be included within a transition plan. We encourage readers to consult the TPT's technical mapping exercise, which compares the content of IFRS S2 with the TPT's Disclosure Framework, and highlights where the TPT recommendations provide additional detail on strategy, culture, engagement and operational metrics that help understand how entities are implementing transition plans and measuring progress over time[44]. It is important to note that the TPT framework applies the same financial materiality filter as UK SRS.

The government would like to understand the extent to which investors and other market participants believe that UK SRS S2 will provide them with useful information regarding an entity's transition plan and how it is preparing for the transition to a low-carbon and climate-resilient economy. This feedback will inform government decisions about whether to require companies to report information in accordance with UK SRS.

QUESTIONS

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.**

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[42] The ISSB included these requirements on the basis that "users of general-purpose financial reports need to understand the assumptions and dependencies that underpin an entity's climate-related transition plan in order to assess the credibility of the plan and to be able to make comparisons between entities". Basis of Conclusions, BC52.

[43] In its basis for conclusions, the ISSB also recognised that transition plans can vary in their scale and ambition, with the implication that company management should determine how much information about a transition plan is likely to be material to users of general-purpose reports. Specifically, it states that "For some entities, a climate-related transition plan forms part of the overall business strategy because the plan adjusts the entity's business model to respond to climate-related risks and opportunities. For other entities, a climate-related transition plan might apply more narrowly to a particular product line, business unit or set of activities, and sit alongside the entity's overall business strategy." Basis for Conclusions, BC47.

[44] IFRS S2 Climate-related Disclosures – TPT Disclosure Framework, TPT, 2023.

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 the draft UK SRS S2 does not provide sufficient information, please explain what further information you would like to see.

B1) Developing and disclosing a transition plan

Option 1: Require entities to explain why they have not disclosed a transition plan or transition plan-related information.

Alongside the government's consultation on UK SRS[45], we are seeking views on further steps that we could take to increase disclosure of transition plan information across the economy. As noted above, UK SRS S2 will not require an entity to have a discrete transition plan or to set climate targets in line with a particular climate goal, but the disclosures made in accordance with the standard may provide investors with useful information about how an entity is responding to the transition and its level of ambition to decarbonise its operations.

The government notes that the FCA has independent decision-making powers for certain companies and intends to shortly consult on sustainability reporting requirements for listed companies, so we will continue to work closely with them to ensure any government and regulatory disclosure requirements are coordinated.

To increase the availability of information in the market, one of the options would be for the government to require entities that have not published a transition plan, or disclosed transition plan-related information in accordance with UK SRS S2, to explain why that is the case. Under this option, the government would not require companies to produce distinct transition plan documents separate from annual reporting, but entities would be free to produce transition plan documents on a voluntary basis if they choose to do so. Companies that have not published a transition plan, or disclosed transition plan-related information in accordance with UK SRS S2, would be compelled to explain why that is the case.

This obligation would be designed to enhance transparency by giving investors and other stakeholders information about a company's reasons for not developing a transition plan. In turn, this information would allow investors to make more informed capital allocation decisions, and could support investors and other stakeholders' engagement with the entity on its plan to transition to a low-carbon economy. It could also provide a useful source of information to the government on the levels of preparedness to transition to net zero. This option may not result in consistent transition plan disclosures, as entities would be under no obligation to produce one, and entities that do produce one would not necessarily disclose the same level of information.

[45] https://www.gov.uk/government/consultations/exposure-drafts-uk-sustainability-reporting-standards.

Option 2: Require entities to develop and disclose transition plans

A second option that would encourage companies and financial institutions to take the necessary steps to plan for the transition to net zero would be for the government to mandate the development and disclosure of transition plans. While over 25% of the 23,200 companies reporting to CDP globally have a 1.5°C-aligned transition plan, and nearly 40% are disclosing against most key indicators, a significant number still lack a credible strategy.[46]

Under this option, the government would require entities to develop a transition plan and disclose transition plan related information as part of its annual reporting and could also require entities to publish a separate transition plan document. Publishing a separate transition plan document would be in line with the TPT's recommendations that entities should publish a standalone transition plan document at least every three years. The TPT goes on to explain that a separate document provides an opportunity to elaborate on, and provide a deeper evidence base for, the material information that will already be provided by general-purpose financial reports, offering greater detail than might be possible within annual reporting. The TPT also states "An entity may also consider including some information in a standalone report that may not be material to users of its general-purpose financial reports but may nevertheless be decision-useful to other stakeholders."[47]

According to the TPT, there would also be benefits for users and preparers of transition plans: "A standalone version of an entity's transition plan may also help a preparer to communicate more clearly the nuances of its strategy, improving the ability of external audiences to understand how the entity is managing the complexities of the transition. It will also allow users to analyse, compare, and aggregate plans across entities more effectively, and to hold entities to account."[48]

The government recognises this could place additional requirements on businesses beyond Option 1 and welcomes stakeholder views. We would also welcome stakeholders' views on the advantages and disadvantages of mandating entities to publish a standalone transition plan document, distinct from mandating entities to develop a transition plan and disclose any transition plan-related information as part of their annual reports. When posing this question, we note that some entities may not have a distinct 'transition strategy' that is separable from their general risk management and business planning processes. In those cases, we welcome stakeholder views on how entities might respond to a new obligation and the advantages and disadvantage of disclosing a standalone document in addition to annual reports. We are also interested to hear whether stakeholders agree with the benefits of requiring a separate transition plan document, as set out by the TPT.

When considering the advantages and disadvantages of a standalone transition plan document, we would also appreciate stakeholder views on whether the government should apply a financial materiality filter to any future requirement it may develop or whether it should consider broader approaches, like impact materiality. Our reason for asking this question is

[46] The State of Play: 2023 Climate Transition Plan Disclosure, CDP, 2024.
[47] TPT Disclosure Framework, disclosure-framework-oct-2023.pdf, 2023, p.42.
[48] TPT Disclosure framework, 2023, p.42.

that the application of a financial materiality filter may result in a scenario where an entity makes similar choices when preparing transition plan disclosures, such as any future disclosures that may be disclosed in accordance with UK SRS: in turn, this may result in duplicative reporting. The government is interested to hear stakeholders' views and whether the benefits of a standalone transition plan document outweigh the risk of duplication alongside annual reporting, as it is the Prime Minister's intention to remove duplication and streamline regulation to reduce regulatory burdens on business. In addition, we welcome feedback on whether these benefits can be realised within the government's broader objectives to simply the UK's corporate and non-financial reporting framework and reduce the administrative costs of regulation for business by 25%.[49] Please also provide views about how transition plan-related disclosure requirements would support the competitiveness of the UK's capital markets and align with international markets.

QUESTIONS

Given the links between the options above and any UK SRS requirements, we will take your answers to questions 7 and 8 into account when evaluating your responses to the next 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.**

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.**

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 could 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.**

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.**

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?**

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?**

[49] PM remarks on the fundamental reform of the British state: 13 March 2025, GOV.UK.

B2) Mandating transition plan implementation

We would also welcome stakeholder views on mandatory transition plan implementation, which could be considered in addition to those steps set out above. Under Options 1 and 2, companies would be required by law to make disclosures that are reasonable and supportable at the time of disclosure. This would be in line with the position as set out in the Companies Act 2006, that means it is an offence if directors knowingly mislead or are reckless when approving the disclosure of information. However, neither option would create an express legal obligation on entities to take future actions consistent with their transition plan disclosure. This section seeks stakeholder views on whether government should attempt to bridge this gap or whether market mechanisms and investor pressure are sufficiently strong to encourage companies to meet their targets.

Implementation of transition plans by entities would mean that they are either taking steps towards or on track to meet their decarbonisation targets, whilst managing their climate-related risks and seizing net zero opportunities. This option would introduce a mandatory requirement on entities to deliver on the elements of their plan that are under their operational control. If government pursues this option, there would need to be consideration with stakeholders of what accountability mechanisms would be most appropriate.

The design of any future requirements would need to take account of existing requirements on entities, to ensure transition planning is considered holistically as part of wider-ranging duties.

When considering this option, the government acknowledges it would need to strike a careful balance between accountability and flexibility. We encourage stakeholders to offer views on the possible legal implications that could arise from an obligation to implement or deliver on a transition plan. The government is aware that there are uncertainties and dependencies that may impact the deliverability of a plan, and the government would not want to create undue legal risk for entities that have, through best efforts, attempted to deliver upon their targets and transition plan. At the same time, the government would want any requirement for an entity to implement their plan to have legal force and consequences if the entity did not take sufficient steps to meet such an obligation.

If the government pursues this option, more detailed requirements would take additional time to design and implement, and the government would work closely with industry to ensure implementation requirements are proportionate, designed in an effective manner and support the Clean Energy and Growth Missions. The government recognises that there would be costs for some businesses, particularly those that have not previously engaged in transition planning, to familiarise themselves with any new requirements. The government will need to carefully assess the impacts of any new requirements, including their impact on our Clean Energy and Growth Missions and international operability and competitiveness, as well as ensuring they continue to support the government’s ambition to simplify corporate reporting that is underway.

When considering this option, we also welcome stakeholder perspectives on how transition plan obligations are being implemented internationally. In particular, the government welcomes views on recent developments within the European Union in respect of transition plan implementation and disclosure, with the recent omnibus package to simplify requirements for large companies and financial institutions to 'put into effect transition plans' within the Corporate Sustainability Due Diligence Directive (CSDDD).

QUESTIONS

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.

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?

B3) Aligning transition plans to Net Zero by 2050

This section of the consultation seeks views on how companies, pension funds, and financial institutions align their transition plans with net zero by 2050. This reflects a call from stakeholders, such as the Transition Finance Market Review, for government to consult on "what 1.5°C alignment could mean, and which sectoral approaches and existing mechanisms will inform this".

The Paris Agreement's temperature goal is to "hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels." This is to avert the worst impacts of climate change highlighted by the UN's Intergovernmental Panel on Climate Change (IPCC). It is well recognised that efforts should work towards 1.5°C, including in the Glasgow Climate Pact and the Global Stocktake of progress against the Paris Agreement which "underscores that the impacts of climate change will be much lower at the temperature increase of 1.5°C compared with 2°C and resolves to pursue efforts to limit the temperature increase to 1.5°C".

As outlined by the Parties to the Paris Agreement in the Glasgow Climate Pact, to keep global temperature rise to no more than 1.5°C above preindustrial levels, carbon dioxide emissions need to be reduced by 45% by 2030 and reach net zero by 2050. The IPCC notes that all greenhouse gas emissions must reach net zero by around 2050 to limit warming to 1.5°C.

Climate action must be accelerated drastically to reduce emissions in line with reaching net zero by 2050 and keep the annual average global temperature rise to a minimum. This is why the Prime Minister announced on 12 November 2024 the UK's 2035 Nationally Determined Contribution (NDC), to reduce all greenhouse gas emissions by at least 81% by 2035 compared to 1990 excluding international aviation and shipping emissions[50], following advice from the UK's Climate Change Committee that this is aligned with the 1.5°C target of the Paris Agreement.

[50] International aviation and shipping are covered under carbon budget 6.

We are consulting on design choices for potentially aligning transition plans to net zero by 2050, with interim (5-10 year) targets aligned with 1.5 C pathways. This could encourage transition plans to be used as a strategic tool to help businesses and financial institutions seize the growth opportunities on the path to meeting net zero by 2050.

There are currently no legal obligations for individual companies, pension funds, or financial institutions in the UK to align their activities with net zero by 2050, but some UK companies have publicly stated that their plans are aligned and have used existing tools and frameworks to underline this, including the Science Based Targets initiative (SBTi), CDP, the Transition Pathway Initiative, the World Benchmarking Alliance and Transition Arc.

For corporate and financial institutions setting targets aligned to net zero by 2050 over scopes 1, 2, and 3, companies have utilised tools and methodologies developed by the SBTi and the Paris Aligned Asset Owners Net Zero Investment Framework (NZIF), or have developed their own internal target setting tools based on existing global pathways from organisations like the IPCC, International Energy Agency (IEA), and the EU’s Carbon Risk Real Estate Monitor (CRREM). These tools can help entities to model their ambition and ensure their targets are scientifically grounded, including interim targets (5-10 years) aligned with 1.5°C pathways on the way to achieving net zero by 2050.

The government is seeking views on standards and methodologies that are or could be used for corporate and financial institution climate-aligned target setting and transition planning. We also welcome views on the opportunities and challenges faced by companies operating in hard-to-abate sectors to set targets and transition plans aligned with net zero by 2050.

We recognise there may be legal implications for organisations in relation to aligning their transition plans to net zero by 2050. We are seeking stakeholder views on the nature and extent of such legal implications. In addition, we would welcome views on how any increased or changed legal risks might be mitigated through the design and implementation of alignment requirements by the government, without undermining the efficacy of transition planning requirements as a whole.

The government also recognises that introducing a specific regulatory requirement for firms to align their transition plans with net zero by 2050 may also create an additional compliance burden on businesses and result in on-going costs. Therefore, Government would actively engage with stakeholders on an approach for implementing climate alignment that is proportionate and minimises the compliance costs for businesses if this option is taken forward. Some options the Government may consider include:

- Introducing a requirement for entities to disclose how aligned their transition plan is with net zero by 2050, including whether they have set interim targets (e.g. 5-10 years) aligned with 1.5°C pathways. This could include guidance or stipulations to explain how this relates to international operations and investments.
- Introducing a requirement for entities to develop and disclose a transition plan that is aligned with trajectories to meet net zero by 2050, including setting interim targets (5-10 years) aligned with 1.5°C global pathways. This could include

guidance for international operations and investments, with 'best efforts' or 'reasonable efforts' for delivering on commitments set out in the transition plan. This would provide some flexibility to reflect the practical limitations that may be faced by some entities when creating and implementing targets and plans aligned with net zero by 2050.

- Introducing a requirement for entities to develop, disclose and implement a transition plan that is aligned with trajectories to meet net zero by 2050, including setting interim targets (5-10 years) aligned with 1.5°C pathways. This could include guidance for international operations and investments.

QUESTIONS

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?

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.

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?

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

B4) Climate adaptation and resilience alignment

Section B3 sought views on transition plans that align with net zero by 2050 and the 1.5ºC goal of the Paris Agreement. Building on this, the government is also interested in exploring how companies can be supported by transition plans in taking further actions to build resilience and adapt to climate change over a longer time horizon.

The UK average surface temperature has already warmed by at least 1.2°C since the pre-industrial period[51] and the impacts of climate change over the next 20 years are locked-in regardless of progress on emissions reductions[52]. This means that emissions reductions by an entity in line with a goal of limiting global warming to 1.5°C may not safeguard its investments and operations from the climate impacts of current warming trajectories. To manage this risk,

[51] Intergovernmental Panel on Climate Change Sixth Assessment Report Working Group, IPCC, 2023.
[52] The Costs of Adaptation, and the Economic Costs and Benefits of Adaptation in the UK, Watkiss, P, 2022.

the Climate Change Committee recommends that effective adaptation requires planning for 2°C of warming, and considering the risks associated with 4°C.

The government believes that the use of 2°C and 4°C scenarios could support the development of company strategy and we would welcome evidence to understand the extent to which companies are already considering 2°C and 4°C global warming scenarios, and where companies are already using these, how effective these are in informing and supporting their climate transition or strategic business planning.

The government has no immediate plans to require companies to take specific actions[53] to address the risks they identify through their risk analysis or to ensure their business is resilient in line with 2°C and 4°C global warming scenarios. However, similar to section B3, government is keen to understand stakeholders' views on what steps it could take to improve entities' climate adaptation and resilience planning, in a way that is proportionate and aligns with the Prime Minister's commitment to reduce the administrative costs of regulation for businesses by a quarter.

Recognising guidance and policy on adaptation and resilience is less developed than that of net zero, any support or government role in this area would need to be developed over a longer time horizon.

QUESTIONS

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?**

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?**

B5) Nature alignment

Protecting and restoring nature helps mitigate the extent and impacts of climate change and has wider resilience benefits for businesses and the economy. The government is interested in understanding stakeholder views on how nature can be considered holistically alongside climate in transition plans. This is an area where policy is less developed than for climate transition. Any future nature requirements would be developed over a longer time horizon and would be subject to further consultation if taken forward.

The Environment Act 2021 sets out statutory targets for biodiversity in England to:

- halt the decline in species abundance by 2030;

[53] This does not include any future strategy for the use of the provisions relating to climate adaptation in the Climate Change Act 2008, which will be consulted on separately in due course.

- increase species abundance by 2042 so that it is greater than in 2022 and at least 10% greater than in 2030;
- restore or create in excess of 500,000 hectares of wildlife-rich habitats by 2042; and
- reduce the risk of species' extinction by 2042.

The Act's wider environmental targets for woodland cover, water and air quality, resources and waste and Marine Protected Areas will also help to drive nature recovery, mitigate the extent and impacts of climate change and improve business resilience.

Many UK companies are already assessing and addressing their nature and climate-related risks and opportunities in an integrated way and are considering what the transition to being 'nature positive' could look like. The government recognises that there is more work to be done to better clarify and define complex terms such as 'nature positive' and there are independent initiatives already underway seeking to do this. In the absence of a universal definition, we would like to support organisations to make measurable contributions towards meeting the Environment Act biodiversity targets in England and equivalents in Northern Ireland, Scotland and Wales; and internationally with reference to the UN Convention on Biological Diversity's Kunming-Montreal Global Biodiversity Framework.

Following the example set by net zero and building on action UK companies are already taking on nature, there are a number of steps the government may consider to support organisations transitioning to nature positivity in a proportionate and agile way:

- Considering the integration of nature transition disclosure frameworks which are being developed by international bodies. For example, the Government-supported Taskforce on Nature-Related Financial Disclosures (TNFD) have published draft guidance on nature transition plans.
- Supporting the development of market-led 'nature positive' sectoral pathways for high-nature impact sectors (such as water, agriculture and the built environment as a starting point), which could respond to calls from UK companies for greater clarity on their role in meeting the Environment Act targets. This would be the nature equivalent to the Climate Change Committee's (CCC) decarbonisation sectoral pathways which companies are already using.
- Introducing support for solving nature-related data gaps, providing guidance for organisations, and considering potential regulation or other policy which may be needed to help support companies in their nature transition.

QUESTIONS

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?

B6) Scope

The government's manifesto commitment was that UK-registered financial institutions and FTSE100 companies would fall into scope of transition plan requirements. It is important that transition plan requirements are also considered holistically against the backdrop of government's announced plans to consult on whether to require reporting against UK SRS for economically significant companies and the FCA's forthcoming consultation on implementing UK SRS for listed companies.

Therefore, the government is considering whether to redefine the scope of entities under any future transition plan requirement. However, the government is clear that it wants any future requirements to be proportionate and that the focus will be on economically significant entities, including pension funds, where there is likely a significant investor and public interest. As a result, small to medium-sized companies are not envisaged as being within the scope of any future requirements set by the government. The FCA has independent decision-making powers for companies in scope of any future transition plan requirements they set.

The supply chains of these entities will play a vital role in the transition and inevitably be impacted by any future requirements. This could be through increased reporting pressures to feed into large entity disclosures, or through supply chains being encouraged to change their business models in order to support the transition to meeting climate and environmental goals.

The Government also wants to ensure the scope of any future requirements does not impact the attractiveness of the UK as a listing destination by creating additional or unnecessary burdens for firms looking to go public. The UK has world-leading capital markets and is home to the world's most international stock exchange. The Government is committed to building on these strong foundations, with regulation that is proportionate and tailored, and welcomes stakeholder views on how the scope could be redefined to promote the UK as a place for business to start, scale and list.

As investors, UK pension schemes also heavily rely on the quality and reliability of the information provided by corporate reporting when making investment decisions and holding company management and boards to account through their stewardship approach. As outlined above, information from transition plans therefore has the potential to be transformative in supporting governance bodies, trustees and managers.

QUESTIONS

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

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?**

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

B7) Legal risk

Transition plans and transition plan-related disclosures are often underpinned by a range of estimates and assumptions that are outside the direct control of the reporting entity the entity or rely on data from third parties. The government acknowledges that legal liability is important to ensure that information disclosed to financial market is credible and trustworthy. However, where a reporting entity anticipates a high degree of legal risk associated with its transition plan, this may detract from the quality of disclosure or level of ambition. We would welcome respondents' views on the degree of legal risk associated with the publication of transition plan-related information, either voluntary or mandatory.

As part of this consideration, the government would also welcome views on the current legal implications for company disclosures in the UK. In particular, section 463 of the Companies Act 2006 has the effect of providing legal protection to company directors where they are disclosing forward-looking information or disclosing estimates or information that is reliant on third parties.[54] The government is considering whether similar provisions should apply for any reporting that takes place in accordance with UK SRS and we encourage stakeholders to respond to the government's endorsement consultation with views.

QUESTIONS

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?

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?

[54] In section 463 of the UK Companies Act, there are some protective provisions for forward-looking information in the Strategic Report and Directors' Report. Directors are liable to the company for any loss suffered as a result of any untrue or misleading statement in a report, or any omission, where the director either "knew the statement to be untrue or misleading or was reckless" as to whether it was, or knew that the omission was a "dishonest concealment of a material fact". These provisions provide some protection against risk from reporting in, or cross-referenced to, the Strategic Report. The existing provisions seek to allow for reporting to be made with the best available information and in good faith.

C) Related policy and frameworks

Transition planning is interconnected with other policies and frameworks. Within the context of Section A, the government is progressing several frameworks and policies to deliver the Clean Energy and Growth Missions and make the UK the global leader in sustainable finance. Transition plan policy will be an integral part of this. Collectively, these policies aim to unlock the full potential of the financial services sector to realise the opportunities of the transition to a net zero, climate resilient, and nature positive economy. The government is also considering the international landscape of transition plan policies of other jurisdictions to ensure the international interoperability of UK requirements as well as ensuring any future requirements does not impact the attractiveness of the UK as a listing destination, as outlined in Section B6.

C1) National net zero frameworks

The government recognises that for effective entity-level transition planning to take place, entities will need appropriate information about how the wider UK economy is expected to transition towards net zero by 2050. This has led some stakeholders to call for a 'national transition plan'. The government has already set out, and will continue to provide, clarity on sectoral pathways and the direction of travel for climate policy over the coming years to provide long-term certainty.

For example, the UK has submitted its 2035 Nationally Determined Contribution (NDC) emissions reduction target under the Paris Agreement[55]. The UK's 2035 NDC target, announced by the Prime Minister at COP29 in November 2024, is to reduce all greenhouse gas emissions by at least 81% on 1990 levels, excluding international aviation and shipping emissions.[56]

Later in 2025, the government is due to publish an updated plan that sets out the policy package until the end of Carbon Budget 6 in 2037 for all sectors. Looking ahead, government will set Carbon Budget 7 by June 2026, in line with our statutory duties. This will set out the next phase of our pathway to net zero.

There are also a variety of sector-specific strategies that provide more detail about our ambitious programme of work. For example, the government has published the Clean Power 2030 Action Plan which sets out a pathway to a clean power system by 2030. The government will publish in due course the Industrial Strategy, following the green paper 'Invest 2035: the UK's modern industrial strategy' which set out our vision for a credible 10-year plan to deliver the certainty and stability businesses need to invest in the high growth sectors that will drive our growth mission, where net zero has been a key consideration. We have also committed to publishing a new Industrial Decarbonisation Strategy by 2026.

[55] UK's 2035 Nationally Determined Contribution (NDC) emissions reduction target under the Paris Agreement, Gov UK, 2025.
[56] Carbon Budget 6 onwards does contain reference to International Aviation and Shipping.

The government has also relaunched the Net Zero Council, a partnership between government, business and civil society, providing strategic leadership to support delivery of the government's Clean Energy Superpower Mission[57]. One of the Council's priorities for 2025/26 is to support the development and delivery of sector roadmaps, as recommended by the Transition Finance Market Review, helping businesses to develop transition plans and investors to identify opportunities.

C2) Voluntary Carbon and Nature Markets

The government sees a clear and appropriate role for the responsible use of high-integrity carbon and nature credits by companies or other organisations that wish to do so as part of science aligned climate and nature strategies. At the Chancellor's Mansion House speech in November 2024 and at COP29, the government launched a set of integrity principles for voluntary carbon and nature markets.

These principles guide responsible participation in voluntary markets for buying and selling carbon and nature credits. The government is currently consulting on how these principles could be applied through current policy, guidelines, and potentially regulation to maximise finance mobilisation towards our ambitious climate and nature goals[58].These principles have relevance to transition planning policy, and we encourage the reader to review and respond to this other consultation directly. For the purposes of this consultation we are interested in views on the role voluntary carbon credits could play in transition plans.

QUESTION

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?

C3) International landscape

The government also recognises that UK transition plan requirements will be viewed by users through an international lens. Transition plans are not just a priority for the UK but also a key topic of international discussion. The G20 Sustainable Finance Working Group describes them as a strategic tool that can help entities embed a long-term strategy for transition, mitigate risk and seize transition-related opportunities.[59] The government also recognises the international interest in adaptation and transition planning, notably that the G20 Sustainable Finance Working Group is considering the topic as one of its 2025 priorities. Advancing transition plans were highlighted in G20 and G7 Finance Ministers and Central Bank Communiqués[60].

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[57] Net Zero Council, https://www.gov.uk/government/groups/net-zero-council.
[58] Voluntary carbon and nature markets: raising integrity - GOV.UK, 2025.
[59] 2024 G20 Sustainable Finance Report, p.9, G20, 2024.
[60] Fourth G20 Finance Ministers and Central Bank Governors Meeting Communiqué, 2024.

The government acknowledges the need to keep UK public markets internationally competitive and is aware of recent developments internationally on transition planning, notably within the European Union. The recent EU Omnibus package proposes simplifying sustainability reporting requirements for large companies and financial institutions and includes proposals that aim to streamline the EU's transition plan implementation and disclosure requirements. The government will consider how this could impact the competitiveness of the UK's sustainable finance regime when considering any future transition planning requirements.

We are also aware that market regulators and supervisors have published reports identifying the relevance of transition plans for undertaking their regulatory functions. For example, the Network for Greening the Financial System has identified use cases for prudential regulation[61] and the International Organization of Securities Commissions (IOSCO) found that transition plan disclosures can support the objectives of securities regulators[62].

In light of this international landscape, E3G has established the International Transition Plan Network (ITPN) to convene key stakeholders and work collaboratively to find international solutions to common transition plan issues.[63] The UK government has joined the ITPN as an Official Sector member.

Through International Climate Finance (ICF), the UK supports emerging markets and developing economies (EMDE) to deliver smooth transitions to net zero whilst addressing wider development needs. We appreciate the challenges related to the transition trajectories and investment environments in many EMDEs, and how this can create barriers for UK entities in supporting decarbonisation and sustainable development in these jurisdictions, whilst aligning with the UK's domestic climate goals.

It is widely recognised that policy and regulation in advanced economies can act as a blocker or enabler to EMDE transitions, which in turn could hinder or encourage global growth opportunities for UK entities. This is primarily because of the more gradual emissions reduction pathways and challenging data environments in EMDEs. Without robust methodologies and sufficient clarity, an investment in an EMDE may be perceived as misaligned with the UK's net zero targets even if it is aligned with credible national or sectoral emissions reduction targets of the jurisdiction in which the activity or entity is located (in line with the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances under the Paris Agreement). Furthermore, because of a historic lack of capital market infrastructure in many EMDEs, a lack of reliable and comparable data can act as a barrier to investment, particularly for green and transition investments where there is an ongoing need for comprehensive performance and impact reporting.

We are seeking views on how transition planning can support real-world decarbonisation and sustainable growth in the UK and internationally, and welcome opinions on what measures

[61] NGFS - Transition Plan Package, NGFS, 2024.
[62] IOSCO Report on Transition Plans Disclosures, IOSCO, 2024.
[63] An international network supporting the development of private sector transition planning with a focus on the official sector: https://itpn.global/.

could be taken to ensure alignment to net zero by 2050 reflects considerations for operations in jurisdictions that may vary in ambition and capacity.

QUESTIONS

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

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

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

C4) Guidance, support and capacity building

For those entities who do not already produce transition plans, transition planning may require them to consider new processes and strategic approaches. Government is committed to supporting companies to develop, disclose and implement transition plans.

Several leading jurisdictions have developed or are developing transition planning guidance. As outlined earlier in this consultation, the IFRS Foundation is now responsible for the Transition Plan Taskforce disclosure-specific materials[64].

At this stage, we are most interested in gathering evidence and feedback from respondents on the guidance, support and capacity building that would be most useful for companies, to inform effective transition planning. Specifically, we would like to understand, for those entities that have developed and published a transition plan, what guidance they turned to and what more they would want to make use of in future. Similarly, for those companies that are yet to develop and/or publish a transition plan, we are seeking feedback on the barriers in doing so and the guidance companies would want to see to support them.

QUESTION

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?

[64] IFRS Transition Plan Taskforce resources, IFRS, 2025.

Consultation questions

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?

2. For preparers of transition plans: Does your organisation already produce, or intend to produce, a transition plan and disclose it publicly?

    a. [if yes] What specific drivers have motivated your entity or pension scheme to engage in transition planning?

    b. [If yes] Based on your experience, do you have any reflections on the purpose, benefits and costs (e.g. additional FTE, setup costs, etc) of developing your own transition plan?

    c. [if yes] What specific challenges or obstacles (e.g., regulatory, organisational, market-related, guidance), if any, did or do you face in preparing your transition plan?

    d. [if yes] Did you make use of the TPT's materials (now managed by the ISSB), and if so, how? Were there any challenges in doing so? Are there any further pieces of guidance or support that you feel would be helpful?

    e. [If no] If no, what are the main barriers preventing your organisation from developing a transition plan? Please provide any evidence where available to support your answer.

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)

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.

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

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.

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.

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.

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.

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.

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.

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.

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?

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?

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.

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?

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?

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.

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?

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

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?

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?

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?

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?

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?

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

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?

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?

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?

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

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?

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

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?

Next steps

This consultation is open for comment for 12 weeks and the government will arrange a series of stakeholder engagement events to understand respondents' views in greater detail. In tandem, the government is also commissioning a research project to better understand the benefits and costs of transition planning, including for private companies. The government will consider responses to this consultation alongside DBT's consultations on UK SRS and the sustainability assurance market. Once responses have been analysed, we will bring forward a package of coherent and proportionate proposals that considers the UK's regulatory landscape as a whole. In the meantime, the FCA intends to consult on strengthening its transition plan expectations for listed companies, which the government encourages stakeholders to engage with.

The government is also considering the wider set of recommendations set out in the Transition Finance Market Review. We have co-launched the Transition Finance Council alongside the City of London Corporation to help drive forward ambition on the Review's recommendations, convene key stakeholders and support continued capacity building and collaboration to position the UK as the leading global hub for transition finance.

As set out in our Green Paper (published 14 October 2024), the government has published a new Industrial Strategy "Invest 2035": a credible, 10-year plan to deliver the certainty and stability businesses need to invest in the high-growth sectors that will drive our growth mission.[65] In doing so, the Industrial Strategy will create a pro-business environment and support high-potential clusters across the country. Parallel to the Industrial Strategy, we are working to update the Industrial Decarbonisation Strategy to support the economy-wide transition to net zero.

The financial services sector has been identified as one of eight growth-driving sectors in Invest 2035 and sustainable finance has been recognised as a key growth opportunity. We are creating ambitious and targeted plans for each of the eight sectors, in partnership with business, devolved governments, regions, and other stakeholders. Once developed, the Financial Services Growth & Competitiveness Strategy will serve as the central guiding framework through which the government will deliver sustainable, inclusive growth for the financial services sector and secure the UK's competitiveness as a global financial services hub.

The government will deliver an updated plan that sets out the policy package out to the end of Carbon Budget 6 in 2037 for all sectors of the economy by October 2025.

[65] The UK's Modern Industrial Strategy 2025, GOV.UK.

This publication is available from: www.gov.uk/government/consultations/climate-related-transition-plan-requirements

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