

TPT proposes sector-neutral transition plan disclosure framework

AT A GLANCE

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What's new?

- The Transition Plan Taskforce (TPT) published its [draft sector-neutral Disclosure Framework](#) on 8 November 2022. This provides recommendations on developing and disclosing gold-standard transition plans.
- Alongside the Framework, the TPT published draft Implementation Guidance to support preparers of transition plans as well as a technical annex mapping the TPT recommendations to wider corporate reporting standards.
- In addition to this, the TPT launched its sandbox where it will gather practical feedback from the market to inform its final outputs.

What does this mean?

- The TPT was launched by HM Treasury in April 2022 to develop a gold standard for private sector climate transition plans and make recommendations to inform the UK's regulatory requirements on transition plan disclosures.
- The draft Disclosure Framework published by the TPT sets out three guiding principles for developing and disclosing transition plans:
 - (1) Ambition:** contribute to and prepare for a rapid and orderly economy-wide net zero transition.
 - (2) Action:** focus on concrete actions which emphasise the short term and strive for resilience.
 - (3) Accountability:** enable delivery through clear governance mechanisms and consistent, comparable and decision-useful reporting and verification.
- The TPT's recommended disclosures are structured around five elements, which mirror the key components of a transition plan recommended by the Glasgow Financial Alliance for Net Zero (GFANZ) (i.e. foundation, implementation strategy, engagement strategy, metrics and targets and governance). The TPT Framework builds on this structure, providing further granularity and specificity to meet the needs of the UK market.
- The accompanying draft Implementation Guidance provides an overview of where, when and how to disclose transition plans against the Framework. It also includes information on alignment with wider corporate reporting standards such as the Task Force for climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB), both of which recommend disclosing information about entities' transition plans, interpretative guidance for each of the elements in the framework and an overview of how external stakeholders might use transition plans to inform their strategic decision-making.
- The TPT also launched its sandbox where it will work with users and preparers to pilot and evaluate transition plan templates, recommendations and metrics. This feedback, alongside the consultation feedback on the draft Disclosure Framework and Implementation Guidance, will inform the TPT's final outputs.
- In 2023, the TPT will also publish a range of sector guidance, starting with an overview of sector-specific metrics from existing guidance which can supplement the TPT Disclosure Framework. More detailed sector guidance will be published later in 2023, building on best practice guidance and new research.

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What do firms need to do?

- Firms should consider these developments in a regulatory context. UK regulators have already set expectations in their guidance that firms in scope of UK TCFD requirements should disclose in line with the TCFD guidance on transition plans. The UK Government has also [committed to moving towards making publication of transition plans mandatory](#) and, in its [Roadmap to Sustainable Investing](#), stated its intention to incorporate transition planning disclosure requirements into the UK Sustainability Disclosure Requirements (SDR) regime.
- As the Government intends to use the outputs from the TPT as a basis for its regulatory requirements, firms should view these recommendations as best practice and start to consider how best to implement them and integrate transition planning across their business and reporting processes.
- The TPT recommends that entities consider a strategic and rounded approach to the design, development and disclosure of transition plans by (1) decarbonising, (2) responding to climate-related risks and opportunities and (3) contributing to economy-wide transition.
- To ensure that they contribute to economy-wide transition, firms should consider whether they will need to make difficult trade-offs in order to avoid 'paper decarbonisation' which has limited real-world impact (for example, reducing Scope 3 emissions by divesting from high-carbon assets may achieve 'paper decarbonisation' for that firm but will not always contribute to actual reductions in global GHG emissions).
- As the TPT's recommendations directly build on the existing TCFD guidance, many firms will already have strong foundational processes in place which will provide a useful starting point for implementing the recommendations.
- Firms should consider how to build on their existing practices in a way that is consistent with the TPT recommendations and ISSB proposals, both of which are likely to form the basis for SDR requirements in the UK. For example, the TPT recommends that, in addition to including material information on their transition plan in their financial reporting, firms should publish a standalone transition plan that they update either when there are significant changes or, at the latest, every three years and that firms should also disclose information about the assurance or verification obtained.
- In anticipation of the the TPT publishing sector guidance next year, firms should also consider making use of existing sector-specific guidance, such as the [GFANZ guidance on financial institution net-zero transition plans](#) and [expectations for real-economy transition plans](#), to help inform their transition planning.
- More broadly, firms should carefully consider their approach to implementing the recommendations and anticipating strengthened regulatory requirements as part of SDR. To ensure robust and future-proof implementation, firms should look to integrate transition planning thematically across their organisations in a way that is flexible enough to meet the requirements of new regulation as it develops.

Next steps

- The disclosure framework and accompanying implementation guidance will be open for consultation until 28 February 2023.
- The TPT intends to publish an overview of sector-specific metrics and existing sector-specific guidance in 2023, followed by detailed sector guidance later that year.



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