



Centre for Economic  
Transition Expertise

Research and Policy at LSE ■

# Submission to the UK Government consultation 'Climate-related transition plan requirements'

Consultation submission  
September 2025



**CETEx – the Centre for Economic Transition Expertise** – was established in 2024 at the London School of Economics and Political Science as a specialised research and policy centre to support the ambitious reforms required to deliver sustainable, inclusive and resilient economies and financial systems across Europe. The Centre is hosted by the Grantham Research Institute on Climate Change and the Environment and has founding funding from the Sequoia Climate Foundation, ClimateWorks Foundation, Children’s Investment Fund Foundation, Sunrise Project and European Climate Foundation. [www.cetex.org](http://www.cetex.org)

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## About this submission

This report consists of a submission made by CETEx, the TPI Centre and the Grantham Research Institute in response to the open consultation by the UK Department for Energy Security and Net Zero seeking views on implementation routes for transition plan requirements. Details on the consultation, ‘Climate-related transition plan requirements’, are available at [www.gov.uk/government/consultations/climate-related-transition-plan-requirements](http://www.gov.uk/government/consultations/climate-related-transition-plan-requirements).

This response has been reviewed and approved by CETEx senior management. The submission draws on research and insights from researchers based at CETEx, the TPI Centre and the Grantham Research Institute. This submission was led by **Ira Poensgen**, with contributions from **Julien Beaulieu**, **Camila Chamorro**, **Tiffanie Chan**, **Chiara Fulvi**, **Robin Goon**, **Laudine Goumet**, **Wallis Greenslade**, **Akos Hajagos-Toth**, **Mark Manning** and **Antonina Scheer**.

The response to the consultation was submitted on 17 September 2025.

The submission builds on the following CETEx and Grantham Research Institute publications:

- Almeida E, Goumet L, Greenslade W and Waaifoort M (forthcoming) *Understanding the Climate-Nature Nexus: Implications for the Economy and Financial System*. CETEx.
- Centre for Economic Transition Expertise [CETEx] and Grantham Research Institute on Climate Change and the Environment [GRI] (2025) *Submission to the PRA Consultation CPI0/25 – Enhancing banks’ and insurers’ approaches to managing climate-related risks – Update to SSE/19*. London: London School of Economics and Political Science. [https://cetex.org/wp-content/uploads/2025/07/PRA-Consultation\\_Smolenska-et-al-1.pdf](https://cetex.org/wp-content/uploads/2025/07/PRA-Consultation_Smolenska-et-al-1.pdf)

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<sup>1</sup> This figure is subject to market-price and foreign-exchange fluctuations and, as the sum of self-reported data by TPI supporters, may double-count some assets.

- Manning M, Bowhay R, Bowman M, Knaack P, Sachs L, Smoleńska A et al. (2024) [Taking the lead on climate action and sustainable development. Recommendations for strategic national transition planning at the centre of a whole-of-system climate response](#). CETEx.
- Sato M, Gostlow G, Higham C, Setzer J and Venmans F (2025) [Impacts of climate litigation on firm value](#). Grantham Research Institute.
- Setzer J and Higham C (2025) [Global trends in climate change litigation: 2025 snapshot](#). Grantham Research Institute.
- Smoleńska A and Poensgen I (2025) [Integrating transition planning into prudential supervision](#). CETEx.
- Smoleńska A, Chan T, Poensgen I and Higham C (2025) [Banks and climate litigation risk: navigating the low-carbon transition](#). CETEx.
- Tamburrini F, Hiebert P and Smoleńska A (2025) [Exploring a macroprudential complement to transition planning](#). CETEx.
- Reitmeier L, Smoleńska A and Dikau S (2025) [Coordinating the net zero transition: a practical framework for policymakers](#). CETEx.

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# Summary

LSE's Centre for Economic Transition Expertise, TPI Global Climate Transition Centre and Grantham Research Institute propose a path forward for an effective transition planning regime that delivers on the United Kingdom's transition, competitiveness and growth objectives.

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This report presents a response submitted to the consultation on the UK's 'Climate-related transition plan requirements', which was run by the Department for Energy Security and Net Zero (DESNZ) from 25 June to 17 September 2025. This submission was developed following a thorough internal consultation process, drawing on input from staff at the three institutions named above and CETEx visiting fellows. It has been reviewed and approved by CETEx senior management.

## Overview of recommendations for the UK Government and financial regulators

- **Recommendation 1:** The Government and financial regulators should take a 'building blocks approach', supplementing mandatory climate-related disclosures in line with UK Sustainability Reporting Standard S2 (UK SRS S2) with a legal obligation to develop, disclose and implement transition plans in line with the Transition Plan Taskforce's (TPT) Disclosure Framework. This approach provides the best path forward to unlocking the economic benefits of transition planning, while minimising the reporting burden for companies and maintaining international connectivity.
- **Recommendation 2:** The Government and financial regulators should specify that material information about companies' transition plans be disclosed annually as part of mandatory climate-related disclosures in accordance with UK SRS S2. The Government should point companies to the IFRS Foundation's guidance on transition plan disclosure which can support those preparing transition plans to integrate TPT-aligned plans into their UK SRS-aligned disclosures.
- **Recommendation 3:** The Government and financial regulators should additionally encourage companies to periodically publish a formal standalone transition plan, presented in accordance with the TPT structure and recommendations.
- **Recommendation 4:** The Government and financial regulators should support and expand capacity-building efforts to promote effective and credible transition planning. In doing so, the Government and financial regulators should draw on recent work to better understand the stumbling blocks for integrating adaptation into transition planning, identify appropriate steps for addressing these, and assess where further market engagement is needed to close knowledge gaps.
- **Recommendation 5:** The Government should continue to enhance efforts to support cross-system coordination, including via the Net Zero Council and Transition Finance Council.
- **Recommendation 6:** The Government should require that companies, in disclosing in line with Paragraphs 1.1 and 4.3 of the TPT Disclosure Framework, follow supplementary Government guidance on how to report on the alignment of their greenhouse gas emissions targets and transition plan to the UK's nationally determined contribution (NDC), as well as the expected trajectory of how this target will be achieved.

- **Recommendation 7:** The Government should provide supplementary guidance that specifies the benchmarks that companies should use to disclose whether and how their target and plan align with the UK's NDC and the 1.5°C target, as well as any *ambition gaps* and *implementation gaps*. In developing this guidance, we recommend that the Government builds from the guidance in the TPT Disclosure Framework and takes a sequenced approach, starting with sectors where credible emissions intensity pathways are available.
- **Recommendation 8:** In such Guidance, the Government, where relevant, should specify the activities that are clearly unaligned with the relevant sectoral benchmark to strengthen the credibility and integrity of transition plans.
- **Recommendation 9:** In introducing requirements to develop, disclose and implement transition plans, the Government and relevant regulators should retain the TPT's emphasis on the importance that firms need to integrate adaptation and resilience into their transition plans. This should be emphasised in public communications and market engagement and inform initiatives to support skills and capacity development and be promoted in international engagements on the UK's approach to sustainable finance.
- **Recommendation 10:** The Government should integrate considerations around the climate-nature nexus into the development of transition planning policy in the UK and avoid the creation of an additional bespoke workstream on nature.
- **Recommendation 11:** The Government and financial regulators should accelerate the development of resources required to enable companies to consider the climate-nature nexus in transition planning.
- **Recommendation 12:** The Government should define the term 'nature-positive' to support a shared understanding of how the climate-nature nexus can be meaningfully integrated into transition planning.
- **Recommendation 13:** The Government should assess alternative scope options for (1) coverage of greenhouse gas emissions, (2) coverage of 'at-risk firms', (3) coverage of firms with potential for systemic contributions, (4) coverage of firms that are publicly traded or significant participants in debt capital markets, and (5) proportionality and cost-effectiveness. An initial comparison of options suggests that the existing scope of requirements of the Task Force on Climate-related Financial Disclosures (TCFD) is a sound starting point, but sectoral skews should be examined to ensure firms in sectors critical to a successful transition are captured.

# Section A. The benefits and use cases of transition plans

**1. To what extent do you agree with the assessment of the benefit 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?**

Overall, we agree that there are multiple benefits of transition plans and transition planning for preparers, investors and the wider economy. We see several concrete ways in which transition plans and planning can reasonably be expected to contribute to the four objectives that the Government has defined for the incoming transition planning requirements. Some of these are additional to those already identified in Section A.

## **i. Supporting an orderly transition in line with global climate goals**

### *i.a. Transition planning accelerates firm-level contributions towards an orderly transition*

Perhaps the most immediate benefit of company transition plans is that they support the delivery of climate objectives at the company level. They therefore play an important role in ensuring private sector actions support an orderly transition to deliver global climate goals, enable the UK to meet its commitments under international law and contribute to resilient financial systems and sustainable economic growth.

Developing a transition plan is a strategic exercise, requiring companies to assess climate impacts on their business model and value chain, set objectives to address risks and opportunities, and create an action plan to embed these across the business (see e.g. [IFRS](#), 2025a; [TPT](#), 2023a; [GFANZ](#), 2022a). This exercise plays an important role in enabling management to operationalise change.

This benefit is increasingly recognised by practitioners. In a recent survey of 603 senior decision-makers in UK mid-sized businesses, 73% of respondents stated that they have developed, are developing or are actively considering developing a transition plan ([GrantThornton](#), 2025). When asked about perceived benefits, 82% of respondents in this group noted that they regard transition plans as beneficial for implementing their climate strategy. In July 2024, the Glasgow Financial Alliance for Net Zero (GFANZ) published a series of case studies demonstrating how transition planning efforts are accelerating the climate action of financial institutions in the Asia-Pacific region ([GFANZ](#), 2024).

The empirical literature linking company transition plans to climate outcomes is more nascent, given they are a novel instrument. Nevertheless, there are promising early findings demonstrating the potential of transition plans for accelerating mitigation outcomes. Leveraging the TPI Management Quality (TPI MQ) score as a proxy for transition plan credibility, FTSE Russell conducted two analyses exploring the link between transition plans and emissions reductions. In a 2023 study, it looked at a sample of 2,000 large and medium-sized listed companies, and found that those with a high TPI MQ score were more likely to decarbonise, and on average decarbonise faster over the following three years, than companies with low TPI MQ Scores ([FTSE Russell](#), 2023). This analysis was expanded in 2025 to cover 2,240 firms and an additional two years of carbon emissions ([FTSE Russell](#), 2025). Again, it found a robust connection between management quality and emissions. Firms with a management quality score of 4\* (out of 5) achieved an average -8% annual emission reductions, compared with only -2% for firms with a TPI MQ score of 3, and 4% average annual emission increases for those with a TPI MQ score of 1. This relationship remained robust for a variety of subsamples and altered analytical specifications.

While more attention has been paid to the potential for transition plans to support mitigation objectives, they also have an important role to play in climate adaptation. As highlighted in the TPT



Disclosure Framework and the accompanying Primer developed by the TPT Adaptation Working Group (TPT AWG), transition plans should integrate adaptation considerations (TPT, 2023a; TPT AWG, 2023). This is in line with the G20 Sustainable Finance Working Group's principles for credible, robust and just transition plans (G20 SFWG, 2024), recent work by the Network for Greening the Financial System (NGFSa, 2025), and the IFRS Foundation's guidance on disclosing information about transition plans in accordance with IFRS S2 (IFRS, 2025a) (See Q21).

In developing and disclosing a TPT-aligned transition plan, companies will therefore also need to consider physical climate-related risks and define a strategic response. A recent analysis showed that companies with better management practices had more accurate perceptions of climate change-related risks, were more likely to invest in adaptive measures, and demonstrated greater resilience to natural disasters where these materialise (Keiller and Van Reenen, 2024). Where companies develop adaptation-inclusive transition plans, it is reasonable to assume that this will contribute to strengthened resilience of individual companies, improved pricing of physical risks in financial markets, and the resilience objectives of the wider UK and global economy.<sup>2</sup> This is another significant potential benefit of transition plans, although we note that further empirical research is needed to establish the magnitude of this contribution.

Ensuring an orderly transition is also the UK's legal responsibility. A landmark advisory opinion issued by the International Court of Justice (ICJ) confirmed that states have an obligation to regulate the greenhouse gas emissions of private actors, and to ensure that these regulations are implemented, monitored and enforced (ICJ, 2025). The Court specifically draws critical attention to action needed to regulate fossil fuel production and consumption, the granting of exploration licences and the provision of fossil fuel subsidies (para. 427). Requiring disclosure and implementation of firm-level transition plans is one way to facilitate coordinated planning of decarbonisation pathways and ensure that such actions are implemented in a just and orderly manner. (See further Q15.)

#### *i.b. Transition plans help overcome coordination failures and network effects*

**Public disclosure of forward-looking information about company strategies can be invaluable for overcoming coordination failures and network effects which create transition barriers.**

It is well understood that achieving an orderly transition in line with global climate goals requires coordinated and simultaneous shifts across the economy, including across energy systems, land use, infrastructure, real estate and transport. Coordination challenges and network effects are important barriers to such systemic change (see e.g. Stern and Stiglitz, 2023). For example, the upscaling of electric vehicles depends not only on consumer demand and vehicle production, but also on the timely expansion of charging infrastructure, the availability of critical minerals such as lithium and cobalt, and decarbonisation of the power grid.

Embedding transition planning across the economy can support a whole-of-system response to the climate transition. Where they are disclosed, transition plans provide information not only about companies' climate objectives, but also the strategies in place for delivery, the dependencies companies face and how these will be addressed (Jahn and Manning, 2025). This information can be used by many different actors to accelerate the diagnosis of where coordination and network effects pose barriers and help inform solutions.

Policymakers can leverage information on dependencies to support decision-making on interventions required to support mitigation, adaptation and other policy objectives (see Element 1.3 of the TPT Disclosure Framework (TPT, 2023a)). In particular, information on underlying assumptions and dependencies can be valuable when aggregated and analysed across firms, providing important insights into the barriers and stumbling blocks faced by different parts of the economy (see Q8).

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<sup>2</sup> As we note in our response to Q8 and Q21, we also recognise that beyond the setting of disclosure expectations, further work is needed to ensure that companies have an enabling environment that allows them to effectively identify and respond to physical risks in their transition plans. As it has done in other parts of the sustainable finance ecosystem, the Government and its financial regulators can play a critical role in accelerating the development of these tools.



For example, researchers at the European Commission's Joint Research Commission have developed tools to assess the credibility of geographical dependencies of transition plans for energy-intensive companies (Pickard-Garcia et al., 2024). This tool enables users to understand which firms are more or less likely to successfully implement their transition plan. The researchers also demonstrate how this analysis can improve the assessment of infrastructure needs (e.g. by improving estimates of future needs for hydrogen transportation networks) and inform public investment choices and industrial policy design.

Company transition plans can also be valuable in wider economic policymaking, including prudential policy. As previous research by CETEx has demonstrated, information on bank transition plans can be valuable in the context of microprudential supervision as they have a direct impact on banks' risk profiles (Smoleńska and Poensgen, 2025). Transition plans are also of interest from a macroprudential perspective, as they can provide important, bottom-up insights into the transition as it unfolds (FSB, 2025; Tamburrini et al., 2025). Transition plans can be used to support the identification of risk build-up over time and also to track the materialisation and diffusion of risk across different parts of the economic system. Appropriately integrated into prudential policymaking, transition plans can therefore serve as a tool to help support financial stability over the course of the transition.

Beyond policy decision-making, transition plan disclosures can also unlock market dynamics in support of the transition. Financial institutions are critical users who can leverage the transition plans of companies in their portfolio as an important 'foundational input' for identifying opportunities to support credible transition, and scale up the provision of transition finance (TFMR, 2024; TFC, 2025a). Similar dynamics can also unfold in the real economy. For example, where transition plans of multiple companies point to similar dependencies – e.g. certain low-carbon materials – this can help create stronger aggregated demand signals. When aggregated, transition plans can reduce the uncertainty for individual suppliers and enable them to build a business case for relevant research and development or increased production capacity. For example, researchers at MSCI demonstrate how transition plans can be used to derive a better understanding of future demand development for key clean technologies such as hydrogen, renewable energy and energy storage solutions (MSCI, 2025).

## **ii. Enhance transparency for investors and promote efficient capital allocation**

### *ii.a. Transition plans provide decision-useful information to investors, enabling improved management of climate-related risks and opportunities*

**There is mounting evidence that standardised, disclosed company transition plans are a critical source of information for well-functioning capital markets.**

An important foundation for efficient capital markets is that investors and consumers of financial products have access to reliable information about the material risks and opportunities faced by investee companies (Bolton et al., 2025). This includes material information about risks and opportunities arising from climate change. Ilhan et al. (2020) surveyed institutional investors and found that the majority of respondents put equal weight on climate-related disclosure and financial disclosure.

Transition plans, which capture forward-looking information about a company's climate-related targets and strategy, are increasingly relevant in this context. In particular, transition plans can help investors overcome two important challenges that arise when assessing climate-related risks and opportunities for a company. Firstly, the exposure of individual firms is idiosyncratic, at least to a degree. While there are sectoral and geographical trends (e.g. all firms in certain high-emitting industries may see similar pressures) the financial implications for individual firms could still differ as a result of company-level factors (e.g. location of assets, differences in production processes, ongoing R&D activities). This is reflected in various studies that have found significant within-industry variations for various measures of climate-related risks and opportunities (e.g. Sautner et al., 2023; Cohen et al., 2021; IIF and WTW, 2023).

Secondly, the risk exposure of a company is not only determined by its current profile, but by its **actions in the future** as risk drivers evolve (e.g. as litigation trends change or the physical impacts continue to worsen). Transition plans, which provide firm-level information about future targets and actions, are an immensely promising resource that can help investors arrive at a nuanced understanding not only of

whether any given firm intends to transition, but also whether it is taking the necessary steps to do so successfully.

This benefit is already widely recognised by investors and regulators around the world (see e.g. OECD, 2022, 2023, 2024; GFANZ, 2022b). In 2024 the International Organization for Securities Commissions (IOSCO) conducted a factfinding exercise and found increasing demand for transition plan disclosures by capital providers and market intermediaries (IOSCO, 2024). Furthermore, it noted that transition plans are already being used to inform decisions on capital allocation, portfolio construction, pricing of instruments, investment in bond issuances and lending in private credit markets. However, it also found that information gaps and limited inter-firm comparability of disclosures pose major barriers to scaling up these uses.

#### *ii.b. Transition plans can drive innovative financial products, including insurance products, which more accurately reflect risk by taking into account planned future actions*

**A second way in which transition plans support effective capital allocation is by enabling innovation in financial services.**

Investors can use the information in transition plans to drive innovation in their products and services to improve risk management and pricing, create incentives for delivery and expand access to high integrity transition finance. For example, transition plans can be used to define performance indicators in green and transition bonds or sustainability-linked loans and bonds, serve as benchmarks to inform the construction of equity portfolios and funds, and enable the pooling and securitisation of transition-linked assets. Importantly, transition plans enable the monitoring of firm progress over the lifespan of the financial instrument, particularly where those transition plans contain details on companies' capex plans.

Similarly, they can inform underwriting decisions and product innovation by insurers. As discussed above, a TPT-aligned transition plan should contain details about planned actions to respond to physical risks. This information could be used by insurers to price risks more accurately, expand coverage to businesses that are effectively managing exposures, and reflect a company's investment into adaptation into the pricing of premia.

A study conducted jointly by The Nature Conservancy and Willis Towers Watson (WTW) demonstrated that insurers can account for ecological forest treatment practices in their risk assessment and pricing models, and, as a result, offer lower premia for homes and businesses operating in areas where risk mitigation is happening (TNC and WTW, 2022). Three years on, they demonstrated the applicability of these findings by launching a first wildfire resilience property insurance product for a private homeowners association in California (WTW, 2025). While this example focuses on residential property insurance and relied on actions taken forward by public actors, the underlying approach could be replicated for commercial property insurance policies. This could allow firms to maintain access to insurance coverage, provided that their transition plan demonstrates that they are taking credible steps to manage and mitigate risk, and could enable monitoring of progress. This example also highlights the need to think about interacting climate and nature perils when insurers are pricing risks (see Q23).

### **iii. Support companies to capture the opportunities from the global net zero transition**

#### *iii.a. Transition planning requires firms to assess how the transition will impact their sector and enables them to execute the changes required to capture opportunities*

**In order to develop a transition plan, management teams have to interrogate the implications of climate change on their business, supply chains and sectors, putting them in a better position to identify opportunities. Implementing a transition plan can then support them in capturing these.**

The process of developing a transition plan requires management teams to assess systematically how climate change and the transition may reshape their operating environment (TPT, 2024a). This exercise enables firms to identify areas where demand shifts are likely, where new technologies or practices may become competitive, where innovative products and services may improve their competitiveness, and where regulatory frameworks may create advantages for early movers. Management practices are a key determinant in whether firms take full advantage of profitable

climate-related investment opportunities (Costa et al., 2024). Transition planning can support companies in identifying such opportunities and enable them to compete globally in rapidly growing markets for sustainable products and services.

Developing and disclosing a transition plan further supports firms in operationalising the steps required to capture such opportunities. In the Grant Thornton Survey cited above, among the respondents who said that they have or are actively considering developing a transition plan, 81% stated that they see 'identifying and realising growth opportunities related to the transition' as an important benefit of this process. In this sense, transition planning acts as a strategic foresight tool, enabling companies to anticipate emerging opportunities as well as risks, and operationalise a strategy for capturing them.

#### **iv. Support the UK's growth by ensuring its sustainable finance framework is internationally competitive and maintains the country's status as a global financial hub**

*iv.a. Transition plans help ensure that UK companies and financial services are well positioned to capture global opportunities from the transition*

**Transition plans can support the resilience and competitiveness of the UK economy, across companies and financial services.**

Transition planning equips firms with a clearer view of the complex ways the transition will affect their sector and provides a strategic tool for responding decisively (see iii.a above). This allows UK companies to anticipate risks, adapt business models and capture new markets. At the economy-wide level, this enhances productivity, attracts investment and ensures that the UK is positioned to lead in emerging global industries.

In financial services — one of the eight priority sectors of the UK's new Industrial Strategy (UK Government, 2025a) — transition plans create opportunities for innovation (see ii.b above). They enable financial service providers to develop innovative financial and insurance products and gain expertise in how to create financing structures that accelerate decarbonisation and resilience. This expertise can become a significant source of competitive advantage for the UK's financial services sector and ensure they remain global innovators and leaders in sustainable finance.

Finally, the work of the TPT has already demonstrated that taking a leadership role on this agenda can create a first-mover advantage by enabling the UK to shape global practices and ensuring that domestic firms are well positioned to seize opportunities. As outlined in further detail under Q6, the work of the TPT has rapidly emerged as a common reference point across the transition planning ecosystem, both in the UK and abroad, creating an advantage for the many domestic financial institutions, companies and professional service providers that have contributed to and engaged with this work, ahead of international competitors and peers.

### **Concluding reflections**

There are several ways in which transition plans can support the four objectives outlined by the Government. The scale and magnitude of their contribution will depend on the design decisions deliberated in this consultation. For example, the net contribution towards an orderly transition will differ significantly depending on whether a comply-or-explain, or a mandatory approach is chosen, and the role of the TPT Disclosure Framework in the selected option.

The remainder of this response sets out our recommendations relating to the various options provided. Our recommendations have been developed with the Government's objectives in mind, offering suggestions we believe will help to advance them. We look forward to engaging further with Government in the next stage of deliberations.

We did not submit responses to the following questions:

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

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?**

Leveraging the work of the International Sustainability Standards Board (ISSB) and the TPT Disclosure Framework provides the best path forward for meeting the UK's objectives while maintaining alignment with other relevant jurisdictions.

We agree with the Government's assessment that international consistency on transition plan requirements is key to maximising the benefits and minimising reporting burdens. Leveraging the work of the ISSB is a critical step; this is currently being adopted in over 40 jurisdictions around the world as the global baseline for mandatory sustainability-related financial disclosures (IFRS, 205b). We are therefore supportive of the Government's plans to endorse the use of the UK Sustainability Reporting Standards, based on IFRS S1 and IFRS S2.

In addition, we propose that the Government takes a 'building blocks approach', supplementing mandatory climate-related disclosures in line with UK SRS S2 with an obligation to develop, disclose and implement TPT-aligned transition plans. The TPT Disclosure Framework is complementary and designed to be consistent with the work of the ISSB. It has also emerged rapidly as a common point of reference across the transition planning ecosystem internationally (see Q6 and Q8 for further details).

## 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.

The TPT Disclosure Framework should play a central role in any future transition plan requirements that the Government takes forward. We consider that the Framework is a sound basis for regulatory requirements, for three main reasons.

**Firstly, the Framework is designed to meet stakeholder needs.** As the product of an inclusive development process, with extensive stakeholder engagement, the Framework meets the strategic needs of companies and the information needs of finance providers, policymakers/regulators and other users (TPT, 2023b, 2024b).

The design was informed by the prevailing body of good practice guidance at the time of its development in 2022–2023, including frameworks and methodologies developed by the [ACT Initiative](#), [TPI Global Climate Transition Centre](#), and the [Glasgow Financial Alliance for Net Zero](#). With more than 100 organisations involved in the TPT's working groups, and over 500 others providing feedback during the TPT's consultation and market engagement, the TPT Disclosure Framework reflects wide-ranging insight and experience – spanning government, regulators, real economy companies, financial institutions, civil society and academia (TPT, 2024b). It also covers all the elements that IOSCO concluded are most decision-useful to investors in its report on transition plan disclosure (IOSCO, 2024) (see Q9).

**Secondly, the Framework is embedded in the transition planning ecosystem.** The TPT Disclosure Framework has emerged rapidly as a common point of reference and has shaped global norms.

A growing number of companies, across sectors and regions, are using the TPT as a reference point for their transition plans. This includes companies and financial institutions in the UK (e.g. [Lloyd's](#), the [BBC](#), [NatWest](#) and [Taylor Wimpey](#)), Europe (e.g. [Bayer](#), [ASM](#)), Latin America (e.g. [Vale](#), [Suzano](#)) and Asia-Pacific (e.g. [BHP](#), [Fortescue](#), [APA Group](#)). Deloitte found that 22% of the first 50 UK FTSE-100 had considered the TPT Disclosure Framework in preparing their disclosures, and an additional 18% stated an intention to produce TPT-aligned plans (Deloitte, 2024). It has also been used to benchmark transition planning practices, for example those of the S&P 500 (Delmas et al. 2025) and of 48 companies listed on the Hong Kong Stock Exchange (KPMG and DBS, 2025).

Regulators globally are referencing the Framework or building on its five-element structure in their own guidance (e.g. Australia's Treasury (2025), the European Banking Authority (EBA) (2025) and the Hong Kong Monetary Authority (HKMA) (2024). The European Financial Reporting Advisory Group (EFRAG) notes in draft Implementation Guidance for Transition Plans: "The TPT and [European Sustainability Reporting Standards] share a common view on key information to be included in a [climate mitigation transition plan]" (EFRAG, 2025: 51). The TPT's legacy materials are now hosted by the [International Transition Plan Network](#) (ITPN), which brings together over 30 public sector organisations from across Africa, Asia-Pacific, Europe, North America and Latin America.

The TPT Framework has also been embedded in the tools, resources and guidance of a global community of practice of initiatives, business networks and non-governmental organisations (NGOs). Examples include:

- CDP's Disclosure Questionnaire (CDP, 2025)
- The World Business Council for Sustainable Development's (WBCSD) *Moving transition from plans to action: A transition planning primer* (2024)
- Chapter Zero's [Transition Planning Toolkit](#)
- The UN Sustainable Stock Exchanges Initiative's *Model Guidance on Transition Plans* (2025)



- Accounting for Sustainability's (A4S) *Guide on Aligning Transition Planning and Financial Planning* (2025)
- The Institute of Chartered Accountants in England & Wales' (ICAEW) [e-learning modules on transition plans for the accountancy profession](#).

Thirdly, the TPT supports the international standards that form the basis for proposed UK Sustainability Reporting Standards (UK SRS). In introducing requirements on transition plans, it is important to consider the connectivity between transition plan disclosures and wider sustainability reporting. The TPT Disclosure Framework was designed with this connectivity in mind.

The ISSB Standards are currently being adopted around the world as the global baseline for mandatory sustainability-related financial disclosures and form the basis for the proposed UK Sustainability Reporting Standards, UK SRS S1 and UK SRS S2 (IFRS, 2025b; DBT, 2025a). Introducing ISSB-aligned reporting requirements is an important step towards globally harmonised sustainability disclosures.

The TPT Disclosure Framework was designed to be consistent with, and build on, the ISSB's two inaugural standards. The Framework builds directly on the relevant provisions in IFRS S2, providing additional granularity and specificity. It further applies the conceptual framework as set out in IFRS S1, including the materiality definition, target audience for the information, expectations regarding presentation, location and timing of disclosures, and requirements for dealing with measurement and uncertainty (TPT, 2023a).

The IFRS Foundation has assumed responsibility for the TPT's disclosure-specific materials, hosting these in a dedicated area of its [sustainability knowledge hub](#) and using them as the basis for guidance on *Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2* (IFRS, 2025a). The guidance identifies the provisions in IFRS S2 that are related to transition planning and draws on the TPT to provide guidance for those looking to make high quality disclosures about their transition plans in line with these provisions.

As explained in Q8, neither IFRS S2 nor the supporting guidance creates an unambiguous expectation for firms to have and disclose a transition plan. An approach that relies exclusively on requiring disclosures in line with IFRS S2/UK SRS S2 would limit comparability and leave important gaps in the context of the Government's stated objectives (see Q8 for further discussion).

Leveraging the TPT Disclosure Framework as the basis for transition plan reporting requirements would plug the gaps mentioned above, while ensuring connectivity with wider sustainability reporting requirements both in the UK and abroad. Where those preparing transition plans produce them in line with the TPT Disclosure Framework, they can be confident that this information can be incorporated into climate-related disclosures in any jurisdiction that has adopted the ISSB Standards, supporting international alignment (see Q5). It would also be in line with the 'building blocks' approach envisioned by the IFRS Foundation (IFRS, 2025a).

#### **We recommend that:**

- **Recommendation 1:** The Government and financial regulators should take a 'building blocks approach', supplementing mandatory climate-related disclosures in line with UK Sustainability Reporting Standard S2 (UK SRS S2) with a legal obligation to develop, disclose and implement transition plans in line with the TPT Disclosure Framework. This approach provides the best path forward to unlocking the economic benefits of transition planning, while minimising the reporting burden for companies and maintaining international connectivity.
- **Recommendation 2:** The Government and financial regulators should specify that material information about companies' transition plans be disclosed annually as part of mandatory climate-related disclosures in accordance with UK SRS S2. The Government should point companies to the IFRS Foundation's guidance on transition plan disclosure, which can support those preparing transition plans to integrate TPT-aligned plans into their UK SRS-aligned disclosures.

- **Recommendation 3:** The Government and financial regulators should additionally encourage companies to periodically publish a formal standalone transition plan, presented in accordance with the TPT's structure and recommendations.

In doing so, the Government and regulators could suggest such a standalone plan is updated at least every three years (as recommended by the TPT). They should further clarify beyond doubt that where a company discloses a standalone transition plan, it may cross-refer to that plan in its general-purpose financial reports in order to meet the climate-related financial disclosure requirements in UK SRS S2. Consistent with ISSB Standards, draft UK SRS S1 provides for cross-referencing to other reports as long as certain conditions are met (DBT, 2025b: para. 63 and B45-47).

**We have answered the following two questions, 7 and 8, jointly:**

**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.**

Mitigation and adaptation should be considered jointly.

A transition plan should reflect both mitigation and adaptation priorities and be informed by an assessment of the full range of climate-related risks and opportunities that a company faces – including physical and transition risks. A siloed approach would fail to capture the inevitable interdependencies between mitigation and adaptation strategies (TPT AWG, 2023).

This is recognised in both the work of the IFRS Foundation and the TPT (IFRS, 2025a; TPT, 2023a). The provisions in IFRS S2 (and UK SRS S2) typically refer broadly to climate-related risks and opportunities, rather than narrowly to either physical or transition-related risks (IFRS, 2023a; DBT, 2025c). Similarly, disclosure requirements relating to strategy in IFRS S2/UK SRS S2 typically refer to mitigation and adaptation jointly. This is echoed in the TPT Disclosure Framework which explicitly references that a transition plan should comprise a firm's "objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, *climate-resilient economy*" (TPT, 2023a; emphasis added). The TPT Adaptation Working Group prepared a primer to support preparers of transition plans to integrate resilience into their efforts (TPT AWG, 2023).

This integrated approach is also reflected in key international principles, standards and guidance, including the G20's Sustainable Finance Working Group's *Principles on Credible, Robust, and Just Transition Plans* (G20 SFWG, 2024), and the recent G20 Input paper by the NGFS on integrating adaptation and resilience into transition plans (NGFS, 2025a). As the NGFS observes, carrying out such integration can "help to align mitigation and resilience goals, increase internal coherence, and lower the barrier to entry for those at earlier stages of their adaptation journey" (2025a: 40).

**Introducing ISSB-aligned reporting requirements is an important step towards globally harmonised sustainability disclosures. But the Government should take 'building blocks' approach, with a mandatory requirement for firms to develop, disclose and implement TPT-aligned transition plans.**

IFRS S2 (IFRS, 2023a) – and hence also UK SRS S2 (DBT, 2025c) – include various provisions for the disclosure of transition plan-related information. For example, IFRS S2/UK SRS 2 require disclosure of:

- Information about any climate-related transition plan the entity has (14 (a) (iv))



- Current and anticipated direct mitigation and adaptation efforts (14 (a) (ii))
- Current and anticipated indirect mitigation and adaptation efforts (14 (a) (iii))
- How the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities (16 (d))
- The entity's capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term (22 (a) (iii))
- Quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals (33).

In June 2025, the IFRS Foundation further published guidance on disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2 (IFRS, 2025a). **However, neither IFRS S2 nor the supplementary guidance creates an unambiguous expectation for firms to have a transition plan.** As stated in the IFRS Foundation's guidance, IFRS S2 "does not require an entity to have a transition nor require an entity to publish a transition plan as long as the requirements in IFRS S2 are met" (2025a: 5).

The guidance further acknowledges that applying IFRS S2 (and hence UK SRS S2) can only be expected to elicit detailed transition plan disclosures if a firm has: (i) voluntarily set a strategic climate goal; (ii) voluntarily developed a plan to achieve that goal; and (iii) determined that the details of the plan constitute material information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports (IFRS, 2025a). Where firms do so, they are not required to use the IFRS Foundation's guidance. Transition plan-related disclosures may therefore not be comparable across firms.

Even where firms do apply the IFRS Foundation guidance, important aspects of the TPT Disclosure Framework are not explicitly covered, including the following:

- The IFRS Foundation's guidance does not refer to the "strategic and rounded approach" set out in the TPT Disclosure Framework, which emphasises how companies can use their agency and their sphere of influence to respond and contribute to a low-emissions, climate-resilient economy, while protecting and enhancing their long-term value.
- The TPT Disclosure Framework includes more expansive expectations regarding a company's approach to defining ambition, including that a good practice transition plan will set out whether and how the firm is pursuing its objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.
- The TPT Disclosure Framework sets out a more expansive view of Engagement Strategy – placing greater emphasis on the system perspective in transition planning and the role of engagement with industry peers and policymakers.
- The IFRS Foundation's guidance does not touch on the role of corporate culture in supporting the delivery of a firm's transition plan.

Studies have repeatedly shown that voluntary approaches to corporate disclosure do not result in optimal information provision (see review in Bolton et al., 2025). There are important selection effects that influence which firms decide to disclose. The quality and granularity of disclosed information will vary widely, as voluntary disclosures are less likely to be subject to robust assurance processes and more likely to be subject to manipulation or greenwashing. For example, in a study of nearly 200 European companies, Hummel and Schlick (2016) found that under voluntary approaches, sustainability leaders are more likely to provide high-quality, transparent and reliable sustainability disclosures, whereas poor performers are more likely to provide poor quality information.

Voluntary approaches also weaken accountability by perpetuating gaps and inconsistencies in companies' disclosures. In the context of corporate emissions targets, Jiang et al. (2025) observe that "[w]ithout accountability ... firms lose incentives to achieve targets, as stakeholders cannot distinguish between firms that succeed, fail or abandon their targets."

A requirement that is limited to requiring disclosures in line with IFRS S2/UK SRS would leave important gaps, limiting the contribution of the requirements to the Government's objectives, as discussed under Q1. Our view is that a 'building block' approach will be necessary, with a mandatory requirement for firms to develop, disclose and implement TPT-aligned plans (see Recommendations 1-3).

This 'building block' logic is baked into the design of ISSB Standards and reiterated in the supporting guidance. The IFRS Foundation recognises that jurisdictions that may choose to "supplement the disclosures required by IFRS S2 [...] with specific jurisdictional information needs" (IFRS, 2025a: p.13).

In its Primary Market Bulletin 45 the Financial Conduct Authority (FCA) indicates that it considers listed companies would benefit from additional clarity "on what a good practice climate transition plan should cover" and that "the TPT Framework will provide that detail, helping issuers to report more effectively on the transition plan-related aspects of IFRS S2" (FCA, 2023a). We agree with the FCA's view and consider that directly referencing the TPT Disclosure Framework in law and regulation will enhance transition planning practice and improve the quality and consistency of disclosures. We therefore support the FCA's intention to consult on introducing guidance aligned with the TPT Disclosure Framework at the same time as it consults on mandatory sustainability-related disclosures in line with UK SRS.

### The UK can unlock further benefits by going beyond mandatory requirements.

While we consider that the steps outlined under Recommendation 1-3 will be a sound basis for legal and regulatory requirements in the UK and support the Government's stated goals, we note that practice in this area continues to evolve. There are also additional steps that the Government can take beyond the introduction of legal and regulatory requirements to support the emergence of good practice transition planning practices, and a positive feedback loop between public and private sector efforts.

#### We recommend that:

- **Recommendation 4 [Part 1]:** The Government and financial regulators should support and expand capacity-building efforts to promote effective and credible transition planning (see also Q21).

In recent years, a wealth of resources has emerged to support companies in developing robust, TPT-aligned transition plans. Key resources include:

- The TPT's *Transition Planning Cycle* (2024a)
- The Glasgow Financial Alliance for Net Zero's (GFANZ) *suite of guidance materials and case studies*
- Accounting for Sustainability's (A4S) *Aligning Transition Planning with Financial Planning – Guide for Finance Teams* (2025)
- Chapter Zero's *suite of guidance materials on scenario analysis and transition planning*
- WCBSD's *Moving transition from plans to action: A transition planning primer*. (WCBSD, 2024).

Building market familiarity and uptake of such tools is an important lever for accelerating good transition planning practices. This is particularly the case for resources related to the integration of adaptation in transition plans which has, to date, received less attention from market practitioners (NGFS, 2025a; Spacey Martín et al., 2025) (see Q21).

The Government and financial regulators can use their convening power and resources to support efforts to raise market awareness and familiarity with these tools and resources. This could, for instance, include clearly communicating the strategic value of transition plans and planning to the market, working with the education sector to give integrated transition planning prominence in business and management courses, and expanding capacity-building initiatives such as the *Sustainable Finance Education Charter*. They can also leverage fora such as the *Climate Financial Risk Forum* to plug remaining gaps in the guidance landscape.

It will be particularly important to support capacity-building for small and medium-sized enterprises which, even if not within scope of the direct requirements, are likely to face data requests from larger entities in their value chain or may decide to voluntarily undertake transition planning efforts.

**We recommend that:**

- **Recommendation 5:** The Government should continue to enhance efforts to support cross-system coordination, including via the Net Zero Council and Transition Finance Council.

Coordinating mechanisms that bring together different actors of the ecosystem (e.g. finance, companies, academia, civil society and government) to identify barriers and decide forward actions is critical (Jahn and Manning, 2025). This can be done by introducing structured collaborative mechanisms to build buy-in and commitment to common goals; iterate towards solutions to the dependencies firms articulate in their transition plans; and take accountability for respective contributions. Since policy dependencies are often significant in private sector plans, the Government can play an important role in such initiatives by responding to information on barriers and enablers and creating the incentives and enabling environment necessary to unlock climate action.

One output of whole-of-system coordination can be sectoral transition plans, understood as plans that set out the climate ambition of key sectors and costed action plans for delivery. Work is currently underway under the Net Zero Council and Transition Finance Council to develop guidance on sector transition plans and associated finance plans. A finance playbook for sector transition plans recently published by the Transition Finance Council recommends “a co-creation process: a structured mechanism for businesses, finance, and government to come together – supported by civil society and academia – to share knowledge, build a shared vision, and co-develop financeable sector transition plans and roadmaps” (TFC, 2025b: 16). With clear direction and reduced uncertainty, these plans can give finance providers the confidence to commit capital.

## **Section B1. Developing and disclosing a transition plan**

### **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.**

The TPT Disclosure Framework should be applied in its entirety. Suppressing any individual element(s) will lead to the loss of potentially decision-useful information.

A report on transition plan disclosure published by IOSCO identifies the elements of transition plan disclosure that investors regard as most decision-useful (IOSCO, 2024). These are drawn from engagement with market participants internationally and summarised in the table below. Three observations are particularly striking:

- The “most decision useful” disclosure elements identified by investors span the vast majority of the recommendations in the TPT Disclosure Framework; the elements investors draw attention to correspond to 14 of the TPT’s 19 sub-elements.
- Investors emphasise the decision-usefulness of information on the financials of transition plans – i.e. capital expenditure, financing sources and financial implications. These elements correspond to the TPT’s financial planning recommendation (see TPT, 2023a: Recommendation 2.4).
- IOSCO’s findings aligns closely with the feedback that the TPT received on the decision-usefulness of different sub-elements during its consultation on the draft Framework in 2022/2023 (see Table 1). In particular, users highlighted that they expect a high degree of usefulness from disclosures in line with 2.1 Business planning and operations, 2.4 Financial planning, and 4.2 Financial metrics and targets. Overall, the TPT concluded that “users ... expect transition plans prepared in line with TPT’s recommendations to be useful in informing their decisions” (TPT, 2023b: 20).

**Table 1. Corresponding recommendations between IOSCO and the TPT Disclosure Framework**

<b>IOSCO's "most decision useful" elements (2024: 44–45)</b>	<b>TPT recommendation (2023a)</b>
<b>1. Ambition and targets</b>	
Whether an entity has set specific emission reduction targets, including in relation to scopes 1, 2 and 3 emissions, how these targets align with international climate goals and/or jurisdictional commitments, and whether they are science-based.	1.1, 4.3
The timeframe for achieving any such targets, and relevant short-, medium- and long-term milestones and/or interim targets.	1.1, 4.1, 4.2, 4.3
<b>2. Decarbonisation levers and action plan</b>	
How the entity plans to embed climate transition considerations into its strategy and decarbonise its operations, e.g. changes to business processes and identification of operational efficiencies, changes in products and services offered, the use of new technologies and energy sources, the adoption of energy efficiencies and responses to regulatory changes.	1.2, 2.1, 2.2
The capital expenditures anticipated to accomplish the action plan and transform the entity's business model in line with performance and monitoring metrics.	2.4
Whether carbon credits are being used	4.4
<b>3. Governance and oversight</b>	
The role of the board and management for oversight and execution of the transition plan.	5.1, 5.2
The key performance indicators used to track progress towards achieving the transition plan and how these KPIs are incorporated into performance evaluations and executive compensation decisions. The KPIs are expected to vary by sector and by entity.	4.1–4.3, 5.4
<b>4. Financial resources and human capital to deliver the transition plan</b>	
The financing for planned operational and capital expenditures to ensure that execution of the transition plan is feasible.	2.4
The policies and actions taken to ensure the entity is appropriately staffed to execute the transition plan and deliver on its targets	5.5
<b>5. Financial implications</b>	
The financial implications of the transition plan over the short, medium, and long term, including potential costs and impacts on the entity's revenue streams, cash flows, assets and liabilities.	2.4
How different climate scenarios will impact the entity's strategy, transition plan and financial performance.	1.1, 1.3, 2.4 (implicit)

Source: Authors

There is some divergence with regard to the TPT's recommendations on 3. Engagement strategy, which are not represented in IOSCO's findings. It is, however, an element that is widely regarded as critical to successful transition planning, given the interdependent nature of the transition. For example, GFANZ highlights that "financial institutions need to be able to make assessments of whether companies are pulling all levers to ensure the success of their transitions and to help accelerate the transition of the economy as a whole" (GFANZ, 2022b: 34).

It is also relevant to note that the TPT Disclosure Framework was designed to meet the needs of investors, while also considering the wide range of other relevant use cases for transition plans. As discussed under Q1, for example, transition plans can be a critical source of information to policymakers in making effective decisions to support an orderly transition.

**The Framework was purposely designed to be applied in full, and our view is that this should be reflected in transition plan requirements. The elements are inherently interdependent and cherry-picking individual pieces would undermine the coherence of the entity's strategic narrative.**

**Challenges raised by preparers of transition plans are already reflected and mitigated in the Framework.** The TPT sought feedback on which aspects of the Framework are more challenging to apply in its 2022/2023 consultation, learning that some of the more decision-useful elements identified by users – e.g. information on financial planning – were also regarded as among the most challenging for preparers (TPT, 2023b). The challenges identified included data limitations, inherent complexities and uncertainties in the planning process, and estimating the impacts/contributions of specified actions.

An approach that leverages the ISSB and TPT in a 'building blocks approach' mitigates these concerns in multiple ways:

- A firm is not expected to disclose information that is not strategically relevant to its business. The TPT Disclosure Framework applies the same materiality lens as IFRS S2/UK SRS S2.<sup>3</sup> Transition planning is a strategic exercise aimed at protecting and enhancing long-term corporate value. The information most useful to investors should likewise be most useful for companies themselves. Where providing such information is challenging, firms have a strategic incentive to address the gaps. The TPT Disclosure Framework can therefore be seen as a structured way for companies to present their strategic climate transition story.
- Proportionality is embedded in both the conceptual underpinning and the detailed provisions of the TPT Disclosure Framework and ISSB/UK SRS Standards. Proportionality mechanisms allow firms to scale up some of the more challenging disclosures according to their circumstances. This includes disclosures on matters such as climate resilience, financial effects and certain metrics and targets, all of which are relevant to transition plan disclosures. The IFRS Foundation recently published a factsheet on proportionality which emphasises that: "Proportionality mechanisms address key challenges which companies might face related to: resource constraints; data availability; and specialist availability. These mechanisms are not available for all requirements; they help companies to apply specific requirements in the ISSB Standards that they might otherwise find challenging to apply" (IFRS, 2025c). Key proportionality mechanisms are that, for certain provisions:
  - Companies are required to base disclosures on "all reasonable and supportable information that is available without undue cost and effort". For instance, a company does not need to be exhaustive in obtaining information on its value chain.
  - A company is required to use an approach that is commensurate with its circumstances, including the skills, capabilities and resources available. For instance, a

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<sup>3</sup> "In ISSB Standards, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users. Primary users are existing and potential investors, lenders and other creditors" (IFRS Foundation, 2023a: para. 18).

qualitative approach to disclosing anticipated financial effects may be used if a firm does not have the skills, capabilities or resources to provide quantitative information.

These proportionality provisions have also been incorporated into the relevant recommendations of the TPT Disclosure Framework (see e.g. [TPT](#), 2023a: 2.4.d – 2.4.f.).

**Finally, it is important to keep in mind that practice is evolving, and capabilities are building.** It is likely that the challenges businesses have identified are less about *disclosure*, and more about the inevitable complexity in the *activity of transition planning* – an activity that is inherently undertaken with a constrained set of information, under circumstances of uncertainty and dependency. Nevertheless, as noted under Q7, the ecosystem of tools, datasets and guidance available to companies is evolving quickly. With respect to some of the specific challenges identified by the TPT, we note that A4S has developed dedicated guidance on integrating transition planning and financial planning (2025); and Rose et al. (2025), Pickard-Garcia et al. (2024), and Manning et al. (2025) provide guidance on addressing dependencies. As discussed under Q8, there is a role for government to accompany regulatory requirements with efforts to support and expand awareness-raising and capacity-building.

A practice that is emerging, but requires further capacity-building, is disclosure of climate litigation risk. A forthcoming Grantham Research Institute working paper that surveys over 800 investors finds that climate litigation should be considered a third, distinct channel of climate-related financial exposure – alongside physical and transition risks (Gostlow et al., unpublished manuscript). Notably, a greater number of respondents identified litigation risk, rather than physical risk, as the most important climate-related risk (ibid.). However, comprehensive assessment and disclosure of climate litigation risk by companies is inconsistent and nascent (Wetzer et al., 2024). Awareness of the materiality of this risk has grown in the context of banks, in light of increased guidance from prudential authorities (see e.g. [Prudential Regulatory Authority \(PRA\)](#), 2025; [EBA](#), 2025). However, research examining European banks suggests that banks may still be underestimating the potential impacts of climate litigation trends and that risk management is underdeveloped (Smoleńska et al., 2025). Transition planning processes can help ensure adequate identification, assessment and mitigation of relevant litigation risks – providing more certainty for investors and enabling capital allocation. See further discussion in Q15 and Q27.

## **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.**

We do not support Option 1. A comply-or-explain approach will not result in the consistent and comparable disclosures required to support the Government's stated objectives and achieve the benefits highlighted under Q1.

In our responses to Q6 and Q8, we concluded that mandatory reporting against UK SRS S2 will support disclosure of information about transition plans, but only where firms have voluntarily set strategic climate goals, developed plans to achieve them, and consider information about those plans material to users of general-purpose financial reports. We further highlighted the shortfalls of an approach that provides significant scope for voluntarism and leaves the decision of whether or not to develop a transition plan up to companies.

This would be the case, even if combined with a 'comply or explain' provision on the lines proposed in Option 1.4. See Recommendations 1-3.

## **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**

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<sup>4</sup> We note that FCA listing rule LR 9.8.6F G already includes a 'comply or explain' provision similar to that proposed in Option 1 ([FCA](#), 2025a).



## **transition plan-related disclosure as part of annual reporting? When responding, please explain the advantages and disadvantages of this option.**

**We are supportive of Option 2.** In our responses to Q6 and Q8, we concluded that mandatory reporting against UK SRS S2 will support disclosure of information about transition plans, but only where firms have voluntarily set strategic climate goals, developed plans to achieve them, and consider information about those plans material to users of general-purpose financial reports. We further highlighted the shortfalls of an approach that provides significant scope for voluntarism and leaves the decision of whether to develop a transition plan up to companies.

As outlined in **Recommendation 1** above, we support a ‘building blocks approach’, supplementing mandatory climate-related disclosures in line with UK SRS S2 with a legal obligation to **develop, disclose** and **implement** transition plans in line with the TPT Disclosure Framework

As outlined in **Recommendation 2** above, we encourage the Government and financial regulators to specify that material information about firms’ transition plans be disclosed annually as part of a firm’s mandatory climate-related disclosures in accordance with UK SRS S2.

As outlined in **Recommendation 3** above, we are supportive of the Government and financial regulators additionally encouraging companies to publish periodically a formal standalone transition plan, presented in accordance with the TPT’s structure and recommendations. In doing so, the Government and regulators could suggest such a standalone plan is updated at least every three years (as recommended by the TPT). They should further clarify that where an organisation discloses a standalone transition plan, it may cross-refer to that plan in its general-purpose financial reports in order to meet climate-related financial disclosure requirements in UK SRS S2 (see Q6 for further detail).

Please also see Q24 for further considerations relating to the scope of companies that should be subject to such a requirement.

## **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.**

The introduction of new transition plan requirements provides an opportunity to create greater regulatory efficiency across the suite of the UK’s climate and environmental requirements. We conducted a systematic review of existing UK policies and relevant frameworks that impose requirements that are similar in nature to those proposed in Recommendations 1-3. In particular, we sought to identify all policies that place a requirement or create an incentive on private companies to do one, or multiple, of the following:

- Report on climate-related risks and opportunities (transition and/or physical)
- Report on climate-related targets and strategies (adaptation and/or mitigation)
- Set and/or execute a climate-related target or strategy (adaptation and/or mitigation).

Relevant policies and frameworks were identified through different sources, including the Oxford Climate Policy Monitor ([Lecavalier et al., 2024](#)), desktop research, and the background knowledge of the authors. The assessment of these requirements considered broadly the categorisation of policy interventions outlined in Reitmeier et al. (2025). Interestingly, we found relevant policies across a range of instrument ‘types’, including disclosure requirements, performance standards and public procurement requirements.

The analysis of the content and requirements of these policies is based on publicly available information including legal texts, official guidance, and third-party commentaries. The requirements established by relevant policies and frameworks were compared with those of the TPT Disclosure Framework. As a result, we identified opportunities for simplification, streamlining and strengthening synergies across different policies, as summarised in Table 2 below. A more detailed version of this table will be published on the CETEx Website following this submission.



**Table 2. Mapping of relevant UK policies and frameworks**

Policy	Description	Scope	Type and link to transition plans	Recommendation
Group 1: TCFD-aligned requirements				
FCA ESG Sourcebook	In-scope firms must publish annual TCFD reports at both entity and product levels. Required entity-level disclosures include information about the firms' risk management, metrics & targets, strategy and governance.	ESG2: Climate-related financial disclosures applies to: <ul style="list-style-type: none"> <li>• Asset managers</li> <li>• Life insurers</li> <li>• FCA-regulated pension providers (insurers and non-insurers)</li> <li>• Specific products or services.</li> </ul>	<b>Instrument type:</b> Disclosure requirements  <b>Link to TPs:</b> Requirement to report on climate-related risks and opportunities, targets and strategy	<p>We support the <a href="#">FCA's announcement</a> to consult on updating expectations on product- and entity-level disclosure requirements in line with UK SRS and develop transition plan disclosure expectations in line with TPT.</p> <p>In doing so, we recommend the FCA has regard to our recommendation for firms to develop, disclose and implement a TPT-aligned transition plan (see Recommendations 1-3).</p>
FCA UK Listing Rules <a href="#">UKLR 6.6.6(8)</a>	Listed firms must include a statement in their annual financial report setting out whether they have made TCFD-aligned disclosures and, if not, why not, along with a description of steps taken to be able to make consistent disclosures in the future.	<ul style="list-style-type: none"> <li>• Issuers with listed securities</li> </ul>	<b>Instrument type:</b> Disclosure requirements  <b>Link to TPs:</b> Requirement to report on climate-related risks and opportunities, targets and strategy	<p>We support the <a href="#">FCA's announcement</a> to consult on updating expectations on listed entities to require disclosure in line with UK SRS and to propose an approach to the disclosure of transition plans.</p> <p>In doing so, we recommend the FCA has regard to our recommendation for firms to develop, disclose and implement a TPT-aligned transition plan (see Recommendations 1-3).</p>
Occupational Pension Schemes (Climate Change Governance and reporting) [ <a href="#">Statutory Instrument 2021/839</a> ]	In-scope pension schemes are required to manage climate-related risks and opportunities and report on this in line with TCFD-aligned reporting requirements spanning governance, strategy, risk management, and metrics & targets.	<ul style="list-style-type: none"> <li>• Trustees of large schemes</li> <li>• Master trusts</li> <li>• Collective money purchase schemes</li> </ul>	<b>Instrument type:</b> Disclosure requirements  <b>Link to TPs:</b> Requirement to report on climate-related risks and opportunities, targets and strategy  Requirement to set a climate-related target or strategy	<p>We recommend that to streamline requirements across different parts of the market, current TCFD-aligned reporting rules for pensions are updated to UK SRS-based reporting requirements.</p> <p>In these changes, we further recommend that the Government introduces requirements on pension funds to develop, disclose and implement a TPT-aligned transition plan (see Recommendations 1-3).</p>

The Companies (Strategic Report) (Climate-Related Financial Disclosure) [Statutory Instruments 2022/31; Companies Act 2006 Section 414C]	In-scope companies are required to include climate-related financial disclosures in line with TCFD recommendations in their non-financial and sustainability information statement as part of their strategic report. Required disclosures span governance, strategy, risk management and metrics & targets.	<ul style="list-style-type: none"> <li>Listed companies, banks or insurers with &gt;500 employees</li> <li>Companies with &gt;500 employees and £500m turnover.</li> </ul>	<b>Instrument type:</b> Disclosure requirements  <b>Link to TPs:</b> Requirement to report on climate-related risks and opportunities, targets and strategy	<p>We recommend that to streamline requirements across different parts of the market, current TCFD-aligned reporting rules for large companies are updated to UK SRS-based reporting requirements.</p> <p>In these changes, we further recommend that Government introduces a requirement on large companies to develop, disclose and implement a TPT-aligned transition plan (see Recommendations 1-3).</p>
Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022 [Statutory Instruments 2022/46; Limited Liability Partnerships Regulations 2008 Sections 414C-416]	In-scope LLPs are required to include climate-related financial disclosures in line with TCFD recommendations in their strategic report. Required disclosures span: governance, strategy, risk management and metrics & targets.	<ul style="list-style-type: none"> <li>Large LLPs (not traded or banking employees), that have &gt;500 employees and &gt;£500m turnover</li> <li>Traded or banking LLPs &gt;500 employees</li> </ul>	<b>Instrument type:</b> Disclosure requirements  <b>Link to TPs:</b> Requirement to report on climate-related risks and opportunities, targets and strategy	<p>We recommend that to streamline requirements across different parts of the market, current TCFD-aligned reporting rules for LLPs are updated to UK SRS-based reporting requirements.</p> <p>In these changes, we further recommend that the Government introduces a requirement on large LLPs to develop, disclose and implement a TPT-aligned transition plan (see Recommendations 1-3).</p>
<b>Other relevant frameworks</b>				
Streamlined Energy and Carbon Reporting (SECR) [Statutory Instruments 2018/1155 (amends Companies Act 2006 and LLP Regulations 2008)]	In-scope companies and LLPs are required to report their annual GHG emissions, energy use, intensity ratios, energy efficiency actions, and methodologies.	<ul style="list-style-type: none"> <li>Quoted companies</li> <li>Large unquoted companies and LLPs, defined as those meeting at least two criteria:               <ul style="list-style-type: none"> <li>(i) ≥£36m balance sheet</li> <li>(ii) ≥£18m</li> <li>(iii) ≥250 employees.</li> </ul> </li> </ul>	<b>Instrument type:</b> Disclosure requirements  <b>Link to TPs:</b> Requirement to report on climate-related risks and opportunities (specifically energy and carbon emissions), targets and strategy (mitigation)	We recommend that the Government confirms that companies subject to SECR can comply with this obligation if they include this information in UK SRS-aligned/TPT-aligned disclosures.
Energy Savings Opportunity Scheme (ESOS) [Statutory Instruments 2014/1643 and 2023/1182]	In-scope organisations have to undergo mandatory energy assessments/audits every four years, covering total consumption, key usage areas, intensity ratios and efficiency	Applies to large undertakings with: <ul style="list-style-type: none"> <li>(i) 250+ employees, and/or</li> </ul>	<b>Instrument type:</b> Environment and social standard  <b>Link to TPs:</b> Requirement to set	We recommend that the Government clarifies that companies subject to ESOS can comply with obligations to produce action plans and annual progress updates if they include this information in UK SRS-aligned/TPT-aligned disclosures.

	opportunities, with compliance notified to the Environment Agency. Updates add requirements to submit action plans and annual progress updates.	(ii) turnover of ≥£44m and balance sheet ≥£38m. If part of a large operation, all operations fall under scope.	and/or execute a climate-related target or strategy [mitigation]	
Environmental Permitting Regulations [Statutory Instruments 2016/1154 and 2023/651]	To receive an environmental permit, operators of facilities must comply with a range of relevant requirements (either cross-cutting or targeted at particular types of installations and facilities). These include requirements to develop and implement a management system, conduct facility-level climate change risk assessments and develop adaptation plans, and complying with best available techniques (BAT) or energy efficiency standards.	Operators of regulated facilities	<b>Instrument type:</b> Environment and social standard; performance standard  <b>Link to TPs:</b> Requirement to set and/or execute a climate-related target or strategy [mitigation and adaptation]	We recommend the Government reviews Environmental Permitting in Regulations to: <ul style="list-style-type: none"> <li>Identify opportunities to streamline requirements for companies that are also in scope for transition planning requirements, particularly when it comes to reporting</li> <li>Identify areas where there is a need for further guidance on how to connect facility-level measures with entity-wide transition plans (e.g. on adaptation planning).</li> </ul>
Adaptation Reporting Power [Climate Change Act (CCA) 2008 Section 62]	The Secretary of State is empowered to direct certain entities to prepare reports containing: (i) an assessment of current and predicted impact of climate change and (ii) a statement of adaptation measures and timescales for implementation.	Infrastructure providers and bodies with functions 'of a public nature' designated by the Government.	<b>Instrument type:</b> Disclosure requirements  <b>Link to TPs:</b> Report on climate-related targets and strategies (adaptation)	We recommend that Defra clarifies that companies reporting under the UK Adaptation Reporting Power can meet this obligation if they include relevant information in their UK SRS or TPT-aligned reports, rather than requiring separate reports.
Procurement Framework [Procurement Act 2023, Procurement Policy Note (PPN) 006, and PPN 016]	PPN 006 requires in-scope suppliers to submit a Carbon Reduction Plan detailing net zero commitments.  PPN 016 introduces optional standard Terms and Conditions for Government contracts to support decarbonisation, GHG reporting, reduction targets and monitoring.	PPN 006 applies to contracts over £5m per year.  PPN 016 applies to all central government departments, their agencies, and non-departmental public bodies.	<b>Instrument type:</b> Public procurement  <b>Link to TPs:</b> Set and/or execute a climate-related target or strategy	We recommend replacing or updating PPN 006 (and related provisions) to require suppliers to prepare TPT-aligned transition plans, replacing separate carbon reduction plans. Companies could be scored on whether or not they provided an assessment of the alignment of their transition plans with the TPT Framework. This would cut administrative burden and create a single, consistent framework for tracking climate progress.
UK Emissions Trading Scheme [Statutory Instruments SI 2020/1265, SI 2020/1557]	In-scope entities have to monitor and report emissions annually, and have them independently verified at the facility level.	Applies to energy-intensive industries, the power generation sector and aviation.	<b>Instrument type:</b> Trading system  <b>Link to TPs:</b> Report on climate-related targets and	The Government can assist companies by providing guidance on how to integrate and link ETS installation-level data and reporting with entity-level sustainability and transition plan disclosures, including how existing

	Allowances must be surrendered equal to verified emissions. Activity-level reports will be issued to determine adjustments to free allowances.	Activities in-scope include aviation and installations in energy-intensive industries and power generation	strategies (mitigation and adaptation)  Set and/or execute a climate-related target or strategy	activity-level assurance mechanisms can be leveraged for entity-level reporting. Coordination with FCA and Financial Reporting Council (FRC) will be important to ensure consistency with the roll-out of UK SRS-aligned reporting requirements.
Ofgem's <a href="#">Environmental Reporting Guidance</a> [Direction under Part B of Special Condition 9.1]	In-scope entities have to comply with the obligation to publish an Annual Environmental Report that includes reporting on climate change impacts and performance against climate commitments.	Ofgem licensees (incl. distribution network operators, electricity transmitters, electricity generators, etc.)	<b>Instrument type:</b> Disclosure requirements  <b>Link to TPs:</b> Report on climate-related targets and strategies (adaptation and/or mitigation)	Once the FCA and Government disclosure requirements are finalised, Ofgem should review its Environmental Reporting Guidance to assess licensees' coverage under UK SRS/TPT, evaluate where duplicative reporting burdens may occur, and make adjustments to streamline reporting requirements accordingly.
Ofwat's <a href="#">Annual Performance Reporting and Guidelines for the format and disclosures</a> [RAG 3.15]	Ofwat requires firms to submit a single, annual performance report to demonstrate compliance with price controls. Reporting obligations include financial and non-financial information, including on greenhouse gas emissions.  RAG 3.15 sets out the required format, pro forma tables, and disclosures, including Section 11, which mandates reporting of GHG emissions.	All water companies appointed and licensed by Ofwat.	<b>Instrument type:</b> Disclosure requirements  <b>Link to TPs:</b> Report on climate-related targets and strategies (mitigation)	Once the FCA and Government disclosure requirements are finalised, Ofwat should review its Regulatory Accounting Guidelines (RAG) to assess disclosures coverage under UK SRS/TPT, evaluate where duplicative reporting burdens may occur, and make adjustments to streamline reporting requirements accordingly.
<a href="#">Corporate Governance Code</a>	The UK Corporate Governance Code creates 'comply or explain' obligations setting out good practice for firms on various aspects of good governance including board leadership, division of responsibilities, accountability, board composition, internal controls and remuneration.	Companies listed in the commercial companies or closed-ended investment funds category	<b>Instrument type:</b> Other: Corporate governance requirements.  <b>Link to TPs:</b> Other: TPT recommends disclosures around the integration transition-related governance practices into company-wide governance structures.	When the FCA updates disclosure requirements in line with UK SRS and TPT, the FRC should revise its Corporate Governance Code guidance to support integration of governance disclosures into annual reporting and prevent duplication, with FCA-FRC coordination ensuring a coherent framework.
<a href="#">Stewardship Code 2026</a>	Signatories must submit: <ul style="list-style-type: none"> <li>Policy and Context Disclosure every four years covering the</li> </ul>	Asset owners Asset managers Service providers	<b>Instrument type:</b> Other: Voluntary governance standards	The FRC should guide asset owners and managers on connecting stewardship practices with the engagement strategy of transition plans, with FCA-FRC

	<p>organisation, its governance, and relevant</p> <ul style="list-style-type: none"> <li>an annual Activities and Outcomes Report detailing risks, opportunities, engagement, voting and monitoring.</li> </ul>		<p><b>Link to TPs:</b> Other: TPT recommends disclosures around Engagement Strategies which, for financial institutions, is closely linked to wider stewardship activities.</p>	<p>coordination ensuring a coherent reporting framework.</p>
<p>PRA's Supervisory Statement SS3/19</p>	<p>Supervised banks and insurers have to manage the financial risks from climate change. Supervisory expectations span across different areas including governance, risk management, scenario analysis, and disclosures.</p>	<p>Banks, building societies and PRA designated investment firms Insurers and reinsurers</p>	<p><b>Instrument type:</b> Risk management and supervision.</p> <p><b>Link to TPs:</b> Execute climate-related target or strategy (adaptation and mitigation)</p>	<p>See below.</p>
<p>PRA's Consultation Paper 10/25</p>	<p>The Consultation Paper 10/25 set out proposals to update expectations in SS3/19, providing more detail and clarity. It covers 7 areas, including governance, risk management, climate scenario analysis (CSA), data, disclosures, banking-specific issues and insurance-specific issues.</p>	<p>Banks, building societies and PRA designated investment firms Insurers and reinsurers</p>	<p><b>Instrument type:</b> Risk management and supervision.</p> <p><b>Link to TPs:</b> Execute climate-related target or strategy (adaptation and mitigation)</p>	<p>In the final version of the PRA Supervisory Statement, the Bank of England should integrate the risk-related aspects of transition plans prepared by banks and insurers into supervisory processes. See CETEx and GRI (2025) and Smoleńska and Poensgen (2025) for further details.</p>

Source: Authors

## Pension funds

We did not submit responses to the following questions:

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.

We support introducing a legal obligation on in-scope firms to *implement* their transition plans, alongside disclosure. A mandate is necessary to: (a) close the 'say-do' gap and reduce greenwashing risk; (b) help companies and investors manage climate litigation risk; and (c) fulfil the UK's legal obligations to regulate private-sector emissions and manage climate risk.

*a. Introducing an implementation obligation helps ensure that companies are making credible commitments to transition. This mitigates the risk of greenwashing and helps close the 'say-do' gap.*

Without an implementation duty, aspirational targets risk remaining unfulfilled. A recent study in *Nature Climate Change* shows that while announcements of 2020 corporate emissions targets resulted in significant improvements in media sentiment and environmental scores, the failure of a large proportion of companies to later meet to disclose progress against targets resulted in no significant market reaction, changes in media sentiment or environment scores (Jiang et al., 2025). Despite the rapid rise of companies with public-facing net zero commitments (see e.g. *Net Zero Tracker*, 2024), very few companies transparently disclose details of transition plans (e.g. on the role of offsets and/or negative emissions technologies in meeting their commitment) or show how they are aligning capital expenditure with decarbonisation goals (TPI Centre, forthcoming).

**Requiring firms to implement TPT-aligned plans creates accountability for delivery and reduces greenwashing risk.** Greenwashing presents a significant risk to the overall transition, as it undermines the confidence of investors in sustainable products or services, ultimately resulting in decreased demand and finance in support of sustainability objectives (FCA, 2024). Requiring companies to clearly identify how they intend to meet climate commitments can mitigate the risk of them setting lofty goals. This provides confidence to investors and other system stakeholders that goals are strategically embedded in a company's operations, and guards against short-termism. Mandating implementation encourages companies to invest capacity and resources to set ambitious but, importantly, attainable climate objectives.

Regulatory intervention is timely, as greenwashing litigation has increased significantly in recent years. The Grantham Research Institute's latest annual assessment of climate litigation found that climate-washing cases surged from a handful in 2016 to just over 160 by the end of 2024 (Setzer and Higham, 2025). Ninety per cent of these cases are against non-state actors, and the UK is the third most popular jurisdiction for these cases. For example, decisions have been issued by the Advertising Standards Authority against *Wizz Air*, *Lloyds Bank*, *Equinor*, *HSBC* and many others. As cautioned in a letter signed by prominent legal scholars in May 2025 (in the context of the EU Omnibus proposal), the lack of a transition plan implementation obligation poses "a risk of encouraging empty promises and greenwashing. Outcomes which would increase the liability exposure of companies..." (*Legal Scholars Concerned about the Weakening of Article 22 CSDDD on Climate Transition Plans*, 2025: 3). Similar risks may arise in the UK context – see Q27 for further discussion.



*b. Introducing an implementation obligation provides clear regulatory certainty on how companies should be contributing to climate goals. This helps companies and investors manage litigation risk.*

Clear regulatory expectations about implementation and governance reduces ambiguity around how companies should be contributing to climate goals and help manage litigation risk. Strategic litigation seeking to align corporate activities, governance and decision-making with the goals of the Paris Agreement is already ongoing globally. This is likely to be further exacerbated in the absence of mandatory regulation. *Milieudefensie v. Shell* in the Netherlands is the highest-profile ‘corporate framework’ court case, but there are more than 20 other cases pending around the world (Setzer and Higham, 2025). These include cases against companies actively operating in the UK, for example *Notre Affaire à Tous v. Total*, one of the largest operators on the UK continental shelf, which supplies around 290,000 sites across the UK (see TotalEnergies’ disclosures on their UK presence [here](#)).

Litigation is a lengthy process and introduces operational and financial uncertainty for targeted companies themselves, but also for their investors. Cases proceed through multiple stages and can result in inconsistent decisions between lower and higher courts, as in the case of *Milieudefensie v. Shell*.<sup>5</sup> Climate-related filings and unfavourable rulings already affect market valuations. Sato et al. (2024) provided evidence that financial markets already consider climate litigation to be a relevant financial risk – showing that firms experience, on average, a 0.41% fall in stock returns following a climate-related filing or an unfavourable court decision. A forthcoming Grantham Research Institute working paper that surveys over 800 investors further finds that even at the early stage of a filing or media announcement, investors overwhelmingly view climate litigation as a financially material risk (Gostlow et al., unpublished manuscript). Almost 80% consider it at least moderately important to firm value, and 41% believe the risk has already begun to affect financial performance (ibid.). This also aligns with findings by Beyer A and Nobile L (2025), who analysed a worldwide dataset of 5,264 syndicated loans issued from 2006 to 2021, and find robust evidence that firms targeted by climate lawsuits face significantly higher bank lending costs. Regulatory mechanisms can more systematically shift sectors and level the playing field – making clear at the outset how global and national temperature goals translate into firm-level transition pathways.

*c. Introducing an implementation obligation forms part of the UK’s legal obligations under international law.*

In July 2025, the International Court of Justice (ICJ) unanimously issued an advisory opinion clarifying how legal principles (binding under international law) apply in the context of climate change. This opinion confirmed that states have a duty under international law to prevent significant harm to the environment and climate, and that to fulfil this duty, states must act with due diligence (ICJ, 2025). The ICJ explicitly states that this due diligence obligation requires a state to “use all the means at its disposal”, including putting in place regulatory mitigation mechanisms and rules and measures that “regulate the conduct of public and private operators” within their jurisdiction or control; this must be accompanied by “effective enforcement and monitoring mechanisms to ensure their implementation” (para. 282, emphasis added).

The Government may be held legally responsible where it has failed to exercise due diligence by failing to take necessary regulatory and legislative measures to limit emissions caused by private actors (para. 428). The ICJ also makes clear that assessing compliance with states’ NDCs includes examining whether states have taken domestic mitigation measures, such as those regulating “activities carried out by private actors” (para. 252, emphasis added). Requiring implementation of transition plans should therefore form a central part of the Government’s actions to regulate the conduct of private actors. In the UK, the Climate Change Act 2008 also sets a legally binding target to meet net zero by 2050 (Section 1) and as most recently stated by the Climate Change Committee in its progress report in June 2025, alignment between government and the private sector on ambitious sector transition plans is needed (CCC, 2025).

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<sup>5</sup> In *Milieudefensie v. Shell*, the Dutch NGO Milieudefensie asked the court to impose 2030, 2040 and 2050 emissions reduction targets on Shell. In 2021, the Hague District Court agreed with this approach and ordered Shell to reduce its emissions by 45% by 2030, relative to 2019, across all activities, covering scope 1, 2 and 3 emissions. However, in 2024, the Court of Appeal overturned this part of the judgment and refused to impose a scope 3 emissions reduction target on Shell.



As set out in our response to Q9, transition plans provide important, decision-useful information on factors like firm-level timeframes for achieving emissions reductions and the role of boards in oversight and execution of plans. Having this information facilitates the UK's own ability to act with due diligence, assess firm-level decarbonisation plans against the UK's NDC, and ensure that the UK is acting in line with its legal duty to limit emissions under its jurisdiction. In considering an approach to mandating transition plan implementation, the Government may find it helpful to refer to work currently underway at the International Organization for Standardization to develop a net zero transition planning standard for financial institutions (ISO 32212) ([Manning et al., 2025b](#)).

The above lends further weight to Recommendation 1, as outlined under Q6.

## **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?**

**We do not expect that market mechanisms would, in isolation, be effective for ensuring that companies deliver on their transition plan. We are therefore supportive of an obligation to implement.**

There are two requirements for market mechanisms to effectively ensure implementation. Firstly, firms would need to face unambiguous incentives, which could come in the form of benefits or rewards for successful implementation, or costs and penalties for not implementing their transition plan. Secondly, firms would need to robustly evaluate these costs and benefits and therefore decide to implement ambitious transition plans as a result.

We do expect that there are benefits to be gained by firms for developing and implementing their transition plan successfully. Some of these may be direct (e.g. cost reductions achieved via energy efficiency gains; reduced damages from extreme weather events). Many of these are more likely to be indirect and accrue over longer time horizons (e.g. increases in market share, competitive advantage gains, more resilient supply chains). A key potential benefit of transition planning is that the information provided by firms will allow investors to better assess climate-related opportunities and risks, ultimately leading to a lower cost of capital for firms with robust transition plans. This, in turn, can help unlock financing for green transition investment opportunities and create a virtuous cycle in which capital is more efficiently allocated to firms pursuing credible, forward-looking strategies.

However, studies have shown that firms very often forego green investment opportunities, even where these offer a higher rate of return than their cost of capital ([Costa et al., 2024](#)). Similarly, there is significant evidence to suggest that current private sector investment decisions are often highly insensitive to physical risks, leading to lock-in effects and risk creation ([Surminski, 2021](#)).

The ability of UK businesses to successfully adapt to the challenges of climate change in the future will be determined by the actions they take now. For example, the UK's wine sector has benefited from recent climate trends (due to higher average growing season temperatures). However, there is a risk of recreating patterns of adaptation 'lock-in' where actions taken now lead to path dependencies which affect future climate resilience ([Gannon et al., 2024](#)). To remain competitive in the future, it is crucial that the wine sector is informed by long-term decision-making and incentivised to invest in appropriate technologies, infrastructure and adaptation strategies (*ibid.*). Transition planning may help facilitate these opportunities by levelling the playing field and also encouraging collaboration within the sector – as building adaptation and resilience relies on the exchange of knowledge and resources across businesses.

Given the scale and the urgency of the problem at hand, and the various benefits of an implementation obligation as highlighted in Q15, we believe there is a strong rationale for the Government to set a clear expectation that firms should implement their transition plan.

The above lends further weight to Recommendations 1 as outlined under Q6.

## Section B3. Aligning transition plans to net zero by 2050

**We have answered the following two questions, 17 and 18, jointly.**

**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.**

### **The continued relevance of 1.5°C**

It remains more important than ever to accelerate the decarbonisation trajectory of the private sector and progress towards 1.5°C-aligned pathways. It is increasingly clear that the global economy is not on track for achieving the objectives of the Paris Agreement. The year 2024 was the hottest year on record, with the global average temperature 1.6°C higher than during the preindustrial period ([World Meteorological Organisation, 2025](#)). An estimated 1.3° to 1.4°C of this was driven by long-term global warming trends ([Forster et al., 2024](#)). Under current policies, scientists expect about 2°C of warming by 2050 and almost 3°C by the end of the century ([Rogelj et al., 2024](#)).

The increasingly certain reality that long-term average warming trends will exceed 1.5°C in the next decade does not make 1.5°C irrelevant as an anchor for ambition, however, as argued by Rogelj and Rajamani ([2025](#)). There are two core rationales for this conclusion. Firstly, even if average warming trends breach 1.5°C in the near term, it is still possible to achieve peak temperatures well before the end of the century and return to a global average increase of 1.5°C by the end of the century. Secondly, the climate ambition of individual countries and firms can continue to be benchmarked against pathways that (from a 2015 perspective) are 1.5°C-aligned, even if the global temperature target is exceeded. The escalating costs and risks associated with exceeding 1.5°C mean that any given entity's level of climate ambition should not be weakened (*ibid.*).

It therefore remains both critically important and possible for the Government to set clear expectations for the private sector that their transition plans should support delivery of the UK's NDC and 1.5°C-aligned pathways. This would bring corporate and financial actors in line with the UK's 2050 net zero target and its interim NDC target to reduce emissions by 81% by 2035 compared with 1990. The UK's 2035 NDC is 1.5°C-aligned, according to the TPI Centre's preliminary Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) research (forthcoming in November 2025 on the [UK country webpage](#)). This means that actions to bring the private sector towards 1.5°C-alignment will also support the UK in achieving its NDC and support an orderly transition in line with global climate goals.

In its advisory opinion (discussed under Q1 and Q15), the International Court of Justice also confirmed that 1.5°C is the primary agreed temperature goal of the Paris Agreement and has become the scientifically based consensus target ([ICJ, 2025](#)). It is likely that litigants involved in strategic litigation will rely on the Court's endorsement of the 1.5°C threshold and argue for ambitious corporate climate action ([van Asselt, 2025](#)). Implementing transition plan requirements are one way in which countries can mitigate and manage litigation risk – see our response to Q27.

### **The methodological challenges of alignment**

At the same time, there are methodological challenges that need be navigated in moving towards an alignment obligation. Mandating that firms align their own trajectory to a specific emissions intensity pathway may have unintended consequences. Any alignment obligation would need to be anchored in sectoral benchmarks against which individual companies are assessed. Sectoral benchmarks, such

as those developed by the TPI Centre or the Science-Based Targets Initiative (SBTi), typically represent the transition of the *average company* within a globalised sector. It could be reasonable for the emissions intensity of some companies to be above or below the benchmark as long as in aggregate, the emissions budget of a sector is not surpassed.

Carbon pricing can meaningfully complement disclosure requirements. As a policy instrument, carbon pricing incentivises companies that can mitigate their emissions faster or more cheaply to do so, while other companies can remain more carbon-intensive by paying the carbon price. These incentives may be distorted if the Government is overly prescriptive on emissions intensity pathway alignment.

### **How these challenges can be mitigated**

**These challenges can be navigated using a sequenced approach of moving from strengthened disclosures on alignment towards alignment obligations over time.**

As a first step, the Government can build on the provisions that are already embedded in the TPT Disclosure Framework and strengthen the comparability and decision-usefulness of disclosures, by specifying the pathways that companies should use to benchmark their decarbonisation targets and actions. In doing so, it can leverage the methodologies developed by the [TPI Centre](#) and others and apply them to low-carbon scenarios developed by the Climate Change Committee (CCC).

The TPT Disclosure Framework ([TPT, 2023a](#)) already requires a company to disclose:

#### **Under 1. Foundations:**

1.1.c The extent to which it has taken into account and aligned with any external requirements, commitments, science-based targets, transition pathways, roadmaps, or scenarios, which may include:

- i. national or international commitments made by governments
- ii. any targets it is required to meet by law or regulation
- iii. sectoral pathways, roadmaps, or other climate scenarios
- iv. voluntary commitments (e.g. existing public commitments, organisational and industry standards, contractual relationships, codes of practices etc.)

#### **and under 4.3 GHG Metrics and Targets:**

4.3.viii. How **the latest international agreement on climate change**, including any **jurisdictional commitments that arise from that agreement**, has informed the target.

4.3.ix. Whether and how the target **aligns with any pathways** disclosed under 1.1.c including, where possible, the expected trajectory of how this target will be achieved.

A TPT-aligned transition plan should therefore already reflect the degree to which the Paris Agreement, and NDCs (including the UK's) have informed targets, and elicit disclosures about the alignment of targets against pathways.

However, the TPT Disclosure Framework leaves significant leeway for companies to select their own pathway and provides no guardrails on how information about alignment to NDCs and pathways should be presented. This reduces the comparability and, ultimately, the decision-usefulness of these disclosures to investors and other users of general-purpose financial reports.

### **We recommend that:**

- **Recommendation 6:** The Government should require that companies, in disclosing in line with Paragraphs 1.1 and 4.3 of the TPT Disclosure Framework, follow supplementary Government guidance on how to report on the alignment of their greenhouse gas emissions targets and

transition plan to the UK's nationally determined contribution (NDC), as well as the expected trajectory of how this target will be achieved.

- **Recommendation 7:** The Government should provide supplementary guidance that specifies the benchmarks that companies should use to disclose whether and how their target and plan align with the UK's NDC and 1.5°C, as well as any *ambition gaps* and *implementation gaps*. In developing this guidance, we recommend that the Government builds from the TPT Disclosure Framework and takes a sequenced approach, starting with sectors where credible emissions intensity pathways are available.
- **Recommendation 8:** In such Guidance, the Government should, where relevant, specify the activities that are clearly unaligned with the relevant sectoral benchmark to strengthen the credibility and integrity of transition plans.

### Methodological considerations for Government guidance

Below, we set out a skeleton approach for this guidance, and provide examples of useful methodologies to support this recommendation.

#### *i) Assessing alignment of company targets and any 'ambition gap'*

The first step for evaluating whether and how a transition plan is aligned with 1.5°C is to assess the alignment of a firm's emissions reduction target(s). The mandate to benchmark targets should ideally include long-term net zero targets as well as intermediate medium- and short-term targets.

We recommend that the Government requires companies to use specified sector-specific emissions intensity benchmarks. These benchmarks should aim to reflect all possible decarbonisation levers in a given sector to avoid unintended consequences from being overly prescriptive. Methodologies developed by bodies such as the TPI Centre can help the Government develop appropriate sector benchmarks, for example by leveraging model outputs from the CCC. Sector-specific approaches are crucial to recognise that sectors face different challenges arising from the low-carbon transition, including where emissions are concentrated in the value chain, and how costly it is to reduce them. The TPI Centre's assessments are based on the Sectoral Decarbonisation Approach (SDA), which translates greenhouse gas emissions targets made at the international level (e.g. the Paris Agreement) into benchmarks against which the performance of individual companies can be compared.

The TPI Centre has produced dedicated sectoral methodologies (and global benchmarks) for 13 emissions-intensive sectors: [aluminium](#), [auto manufacturing](#), [aviation](#), [cement](#), [chemicals](#), [coal mining](#), [diversified mining](#), [electricity](#), [food producers](#), [oil & gas](#), [shipping](#) and [steel](#). These sector-specific methodologies are currently applied to evaluate the target alignment of over 550 companies, including 20 headquartered in the UK. Companies are evaluated on their short-, medium- and long-term alignment with the Paris Agreement goals, including Below 2°C and 1.5°C. Benchmark pathways are publicly available alongside company assessment results on the [TPI Tool](#).

#### Box 1. Disentangling benchmark pathways for assessing alignment

Assessing target alignment could draw on different types of pathways: 1.5°C pathways, Net Zero by 2050 pathways or NDC pathways. However, these should not necessarily be conflated. For example, many countries' NDCs are not ambitious enough to align with 1.5°C and many sectors do not necessarily need to reach net zero by 2050 to align with 1.5°C. In contrast, sectors like electricity which are relatively more straightforward to decarbonise need to achieve net zero much earlier: by 2035 in industrialised countries and by 2045 in the rest of the world ([IEA, 2023](#)).

In the case of the UK, the country's 2035 NDC has in fact been evaluated as being aligned with 1.5°C by Climate Action Tracker ([2024](#)). This is confirmed by preliminary findings from the TPI Centre's Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) research (forthcoming in November 2025 on the [UK country webpage](#)). As such, in principle, prescribing alignment of company targets to 1.5°C should also align these targets with the UK's NDC and vice versa.

If a company's emissions reduction targets are found to be insufficient to align with 1.5°C in the short, medium and/or long-term, Government guidance should specify how companies disclose and explain the resulting 'ambition gap'. For companies with international operations, disclosure should include both UK and global benchmarks. This would allow UK assets and operations to be assessed against UK benchmarks and global assets and operations to be assessed against global benchmarks.

### *ii) Assessing disclosed decarbonisation levers to deliver on targets*

Following the TPT Disclosure Framework, companies are asked to disclose the principal contributions of different elements of their strategy towards the Strategic Ambition of their transition plan (see e.g. 2.1.c, 2.2.c, 2.3.c) and, where possible, the expected trajectory of how key targets will be achieved.

Government guidance should provide further clarity on how companies can transparently link the decarbonisation levers they plan to rely on as part of their Implementation Strategy to delivery of their emissions targets. The decarbonisation levers themselves do not have to be defined as aligned, as the diversity of corporate strategies means that different decarbonisation levers may be appropriate in different cases. The Government may not want to prescribe which levers are considered 'valid' and aligned with 1.5°C in each sector. However, some specific activities can be evaluated for alignment with 1.5°C. For example, the IEA Net Zero by 2050 scenario states that there is no need for new long lead time upstream oil and gas conventional projects nor new coal mines or mine extensions (IEA, 2021). As such, activities like fossil fuel exploration should be assessed as unaligned with 1.5°C, and the Government can compile a list of such activities.

#### **We recommend that:**

- **Recommendation 8:** In such Guidance, the Government, where relevant, should specify the activities that are clearly unaligned with the relevant sectoral benchmark to strengthen the credibility and integrity of transition plans.

The Climate Action 100+ (CA100+) Benchmark Disclosure Framework methodology is useful for its consideration of corporate disclosure of decarbonisation levers (CA100+, 2024). CA100+ is an investor-led initiative to engage collaboratively with the world's largest corporate greenhouse gas emitters to ensure they act on climate change, thereby mitigating long-term financial and systemic risk.

The CA100+ Benchmark contains 11 indicators. Indicators 5 and 6 are related to companies' decarbonisation strategy and capital allocation, respectively. Indicator 5 includes an assessment of whether a company identifies the set of actions it intends to take to achieve its stated greenhouse gas reduction targets (Metric 5.1.a). Indicator 6 includes an assessment of whether a company explicitly states that it has phased out or is planning to phase out capital expenditure in new unabated carbon-intensive assets or products by a specified year (Metric 6.1.a). Transparent disclosure of company capital allocation, as required under element 2.4 of the TPT Disclosure Framework, is essential in understanding whether a company is allocating sufficient resources to its decarbonisation levers as part of its transition plan and following through with its targets.

For diversified mining and oil & gas, the TPI Centre also produces deep-dive Net Zero Standard methodologies that include a comprehensive set of sector-specific indicators that assess the integration of climate targets into business strategies and capital expenditure plans (TPI Centre, 2024; CA100+, 2023).

### *iii) Assessing disclosed decarbonisation levers to deliver on targets*

Government guidance can provide further clarity on how companies should evidence how decarbonisation levers are being implemented, and the proportion of contribution of these levers to meeting overall targets. The CA100+ Benchmark offers a guiding indicator to assess whether a company has quantified the contribution of individual decarbonisation levers to achieving the company's medium- and long-term greenhouse gas reduction targets (Metric 5.1.b). There are existing examples of how companies are disclosing this information. For example, National Grid has disclosed and quantified the actions it will take to reach its interim and net zero targets on page 12 of its [Climate Transition Plan 2023/2024](#).



On capital allocation, Indicator 6 of the CA100+ Benchmark also includes an assessment of whether a company discloses the stated value of its capital expenditure that goes towards unabated carbon-intensive assets or products (Metric 6.1.b). The company should disclose this information in a manner that allows the calculation of the absolute value of capital expenditure which the firm is allocating to unabated carbon-intensive assets or products. This could include disclosing the absolute amount or the percentage share of total capital expenditures, as long as the latter is disclosed in absolute terms. A common route European companies take to fulfil this criterion is by disclosing against the EU Taxonomy, which fulfils the requirements of the CA100+ Benchmark if the company clearly reports the proportion of capital expenditure that is non-aligned as part of capital expenditure on eligible activities.

Government guidance should elaborate how companies should disclose if they have an 'implementation gap' whereby a share of targeted emissions reductions is not fully accounted for by disclosed levers. Companies should be mandated to explain this gap and disclose details on how they plan to close it.

Finally, we recommend that the Government takes a sequenced approach to providing this supplementary guidance, starting with sectors that have available emissions benchmark pathways. Assessment methodologies for hard-to-abate sectors are already relatively mature, so phasing in the requirement of having 1.5°C-aligned targets starting with these sectors could facilitate operationalisation of the requirement. These sectors are the ones that have the most impact in terms of climate outcomes, so this approach could still achieve most of the intended benefits of setting mandatory disclosure requirements, while making enforcement more straightforward.

## Box 2. Considerations for developing guidance for banks and other financial institutions

**First, the scope of business activities for the alignment assessment must be defined.** Unlike real-economy companies with clear sectoral boundaries, the majority of financial institutions' emissions come from Scope 3 Category 15 (Investments) emissions. The TPT recommends that banks should "address their full range of operations and activities in their transition plans, covering on- and off-balance sheet activities including, but not limited to, any lending, sales and trading, capital markets, and advisory activities" (TPT, 2024c: 12).

Financial institutions directly or indirectly finance companies through a wide range of channels. Examples include traditional lending and investment, but also trade finance, trading, asset management, debt and equity facilitation and advisory. Not all these business activities are currently covered by established greenhouse gas accounting methodologies, which any guidance on disclosing alignment will need to reflect.

We recommend a sequenced approach, starting with business activities for which there are available accounting methodologies. Emissions accounting methodologies are currently established for lending and investments (financed emissions) and debt and equity facilitation (facilitated emissions). Business activity coverage should then expand as methodologies for other business activities become established. We note that the Partnership for Carbon Accounting Financials (PCAF) has recently launched a public consultation on new products, such as sub-sovereign debt and securitised and structured products (PCAF, 2024).

**Second, guidance on alignment assessment should take into account two factors: i) the emission materiality of that business activity, and ii) the activity's materiality in the bank's operation.** Both may differ markedly across financial institutions depending on their business model. Currently, banks typically set targets for their lending portfolio and occasionally for capital market facilitation, leaving other activities outside their scope. A broad coverage of banks' business activities is crucial for banks to achieve their 2050 net zero commitments.

Within each portfolio, sectoral decarbonisation targets should be assessed against physical emissions intensity or absolute emissions reduction metrics. We caution against the use of economic emissions intensity and temperature alignment targets, as these are sensitive to underlying assumptions. Methodological variations or economic factors, such as changes to a company's market value, can lead to significant fluctuations in reported emissions without material changes to real economy decarbonisation.

The TPI Centre uses the Net Zero Banking Assessment Framework to assess the transition of banks, developed in consultation with the Institutional Investors Group on Climate Change (IIGCC) and Ceres (TPI Centre, 2023). The framework consists of 77 sub-indicators divided into 10 areas, each evaluating a specific aspect of a bank climate policy such as net zero commitments, emissions disclosure, decarbonisation strategies and climate governance. This assessment is complemented by the [Carbon Performance for Banks tool](#), which assesses the alignment of banks' sectoral decarbonisation pathways with low-carbon benchmarks developed by the TPI Centre and shows which business activities are covered by targets.

### Benefits of developing this guidance

By steering companies towards common benchmarks, the Government would significantly improve the ability of transition plan users to assess and compare the performance of individual companies and hold firms accountable to making progress over time. Such guidance would also create more transparency and clarity around the obstacles to meeting targets, barriers and enablers within different sectors (see Q8), eventually allowing the Government to move towards a more stringent approach to mandating and assessing the alignment of transition plans.

The proposed approach recognises the methodological challenges outlined above. Importantly, it would retain the flexibility for some companies to sit above and others below sectoral pathways, avoiding the pitfalls of overly prescriptive approaches to alignment requirements. It also allows companies to explain any 'ambition gaps' and 'implementation gaps' where companies' targets or actions are not 1.5°C-aligned, including when this is for reasons outside their control.

Overall, we believe such an approach would maximise the ability of transition plan requirements to contribute to the Government's objectives and benefits outlined under Q1. By committing to reach net zero and mandating credible transition plans, the UK signals a clear policy direction, creating certainty and favourable business conditions which can:

- Create market clarity and trust in the future trajectory of industries (this is relevant for both hard-to-abate sectors and climate-compatible sectors).
- Accelerate private sector investment in climate solutions and ensuring the cost of capital more accurately reflects climate-related risks, as banks and other investors will have a clear government signal that companies in the UK will need to transition by the required timelines.
- Build investor confidence that UK domiciled companies will credibly transition, strengthening the attractiveness of UK firms and contributing to UK competitiveness and growth.
- Strengthen UK leadership and catalyse positive feedback loops internationally, as mandatory requirements may be emulated in other jurisdictions and/or UK rules may trigger positive changes internationally via the impact of UK firms on their supply-chains.

We did not submit responses to the following questions:

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?

As outlined in our responses to Q6 and Q8, climate adaptation is a critical element of a transition plan. We see a clear case for regulatory intervention to improve climate adaptation and resilience planning by companies.

In many cases, adaptation investments are not taken forward, even where they are cost-effective, which indicates that the private sector is underestimating costs and overlooking opportunities. Adaptation action is lagging behind where it should be, despite a growing evidence base demonstrating that physical risks are financially material, even in the short term (Mandel et al., 2025; Briere et al., 2024). As noted by the NGFS in the recent G20 Sustainable Finance Working Group Input Paper on 'Adaptation in Transition Planning', the practical integration of adaptation in practice by market actors has, to date, been limited. Spacey Martin et al. (2025) build on existing disclosure frameworks, including the TPT, to propose a suite of 91 indicators to assess the adaptation and resilient content in the sustainability disclosures of the S&P 500 companies. They find that on average, S&P 500 firms report only against 20% of the indicators, with particular gaps in relation to physical risk assessment processes, as well as adaptation-related metrics and targets. This is particularly puzzling given that many adaptation measures and interventions are estimated to have a positive net cost-benefit ratio (see e.g. Global Commission on Adaptation, 2019; World Bank, 2019; Standard Chartered, 2024) or offer positive long-term returns (World Economic Forum, 2021).

In addition to direct costs from physical impacts, inadequate adaptation efforts create liability risks for companies. Litigation against companies and their directors/officers is increasing (Setzer and Higham, 2025), with cases alleging that they have failed to adequately consider, disclose and plan for the physical impacts of climate change, which affects their operations and infrastructure. This misleads shareholders and opens up the company to increased liability and financial risk. For example, in *Assad v. Seu* (a case in the United States), claimants allege that the directors of Hawaiian Electric Industries, Inc. failed to adequately plan for the foreseeable impacts of wildfires like those experienced in 2023, and thus misled its shareholders. This resulted in downgraded credit rating, impairment of the company's ability to raise capital and debt, reputational damage and at least 70 other lawsuits filed against the company. As extreme weather events become increasingly frequent, banks and supervisors need to consider this wider financial stability risk (Smoleńska et al., 2025).

Beyond financial risk, there is a clear role for government to regulate climate adaptation in order to protect human rights in line with international obligations. As mentioned in our responses to Q1 and Q15, under international law, states must put in place appropriate rules and measures to prevent significant harm to the climate system. This includes both mitigation and adaptation measures: the latter reduce the risk of significant harm occurring and are therefore relevant to assessing whether a state has complied with its customary obligations. Globally, an increasing number of climate cases are already challenging governments that have failed to protect citizens from the physical risks of climate change (Setzer and Higham, 2025). There are also cases challenging fossil fuel companies' inadequate preparedness of fossil fuel infrastructure for climate change impacts. In the context of increasing extreme weather events, failure to adapt could result in a substantial risk of discharge of pollutants, posing a substantial risk of harm to the public. States must ensure that companies are responsible for securing their facilities.

The case for intervention is clear, and transition plans are a promising tool that can significantly contribute to improving the preparedness of companies and investors (NGFS, 2025). Overall, we are therefore supportive of using transition plan requirements to ensure that companies make sufficient progress to adapt (see Recommendations 1-3).

### We recommend that:

- **Recommendation 9:** In introducing requirements to develop, disclose and implement transition plans, the Government and relevant regulators should retain the TPT's emphasis on the importance that firms need to integrate adaptation and resilience into their transition plans. This should be emphasised in public communications and market engagement and inform initiatives to support skills and capacity development (e.g. via the Sustainable Finance Education Charter and the Climate Financial Risk Forum), and be promoted in international engagements on the UK's approach to sustainable finance.

Finally, there are actions the Government should take beyond the introduction of transition plan requirements, to ensure companies and investors are equipped with the required tools to integrate adaptation considerations effectively. In recent years, a series of key resources have been developed that can be leveraged in this context. These include:

- The TPT Adaptation Working Group's (TPT AWG) report *Building climate-related transition plans: including adaptation and resilience for comprehensive transition planning approaches*, which provides a brief for practitioners preparing to develop their entities' climate adaptation and resilience, focused on disclosures within transition plans (TPT AWG, 2023). This work also examines the potential synergies and trade-offs that will need to be considered to develop an optimal transition response (p. 17).
- The Climate Financial Risk Forum's (CFRF) report *Mobilising adaptation finance to build resilience*, which proposes an Aim-Build-Contingency (ABC) approach<sup>6</sup> to selecting climate risk scenarios to anchor adaptation-inclusive transition plans (CFRF, 2024). The CFRF's work also includes proposals to deepen the adaptation planning content under the five pillars of the TPT Disclosure Framework.
- The NGFS's G20 Input paper on *Integrating adaptation and resilience into transition plans*, which sets out a practical approach for embedding adaptation and resilience into transition plans (NGFS, 2025).
- The World Business Council for Sustainable Development's (WBCSD) guide on *Adaptation planning for business*, which provides guidance for companies on how to integrate adaptation and resilience across the business (WBCSD, 2025).
- The Institutional Investors Group on Climate Change's (IIGCC) *Climate Resilience Investment Framework (CRIF)*, which helps investors integrate the consideration of adaptation and resilience into their goal setting and implementation strategies (IIGCC, 2025).

Many of these resources also provide insights about common stumbling blocks that companies face in integrating adaptation considerations into their transition planning efforts and recommendations for how progress can be accelerated. For example, the CFRF emphasises that progress is inhibited by the lack of clarity on national and international adaptation goals and lack of consensus on standards and definitions for adapted assets.

Under Q8, we recommended that the Government and financial regulators support and expand awareness-raising and capacity-building efforts for effective transition planning (Recommendation 4). Given the speed with which physical risks are increasing, and the gap in market practice identified above, we believe particular attention needs to be paid to ensuring companies are equipped with the tools, know-how and resources to effectively embed adaptation in transition planning.

### We recommend that:

- **Recommendation 4 [Part 2]:** In doing so, the Government and financial regulators should draw on recent work to better understand the stumbling blocks for integrating adaptation into transition

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<sup>6</sup> CFRF (2024) proposes that entities build their strategies informed by three categories of scenario: the Aim (A) scenario is a 'strong mitigation' scenario which aligns with 1.5°C warming globally; the Build (B) considers a scenario of 'moderate action' or around 2.0°C; and the contingency (C) scenario considers the implications of a higher warming scenario, with particular relevance to assets with longer lifetimes, such as critical infrastructure.

planning, identify appropriate steps for addressing these, and assess where further market engagement is needed to close knowledge gaps.

**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?**

As outlined in our response to Q21, we are supportive of the objective of ensuring companies undertake enhanced risk planning. We direct the Government to the CFRF's guide: *Mobilising adaptation finance to build resilience* for more detailed recommendations on how this can be best supported (CFRF, 2024).

## **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?**

We welcome the Government's proposal in Section B5 to take further steps to explicitly address 'nature alignment' in transition plan requirements.

Understanding how both climate and nature risks affect the economy and financial system is essential for effective risk management (NGFS, 2024; GFI, 2024, Almeida et al., 2025; Global Canopy, 2025). Climate change and nature degradation, along with efforts to address them, create risks for the economy that interact and become amplified. Climate change can contribute to nature degradation and vice versa; for example, climate mitigation efforts can contribute to nature degradation; environmental regulations can slow down climate action; and conserving nature can contribute to climate change mitigation, adaptation and resilience (Almeida et al., forthcoming).

This is true both at the macroeconomic level and at the level of companies. Ignoring interactions between nature and climate in transition plans can lead to unintended consequences – a company might focus narrowly on decarbonisation and inadvertently drive deforestation or habitat conversion (for biofuels, offsets, etc.), undermining both climate and biodiversity goals. This is being recognised by key actors including the Network for Greening the Financial System (NGFS), which is exploring joint climate-nature scenarios for financial stability, and the International Sustainability Standards Board (ISSB), which decided in 2024 to explore work on nature-related disclosure standards.

This trade-off is not currently identified in government transition planning policy or guidance. However, integrating nature considerations into transition plans can help companies identify synergies (e.g. restoring wetlands sequesters carbon and buffers against floods) and avoid trade-offs.

The inclusion of Section B5 in this consultation signals to companies and investors that the Government understands the critical risk that nature degradation poses to the success of individual companies, their supply chains and the UK economy as a whole. It also responds to market demand, as many leading companies are already voluntarily assessing nature-related risks and opportunities alongside climate risks and have called for clearer guidance and expectations from government. A review of nature-related reporting for financial institutions in the EU between 2020 and 2024 showcased a steady increase in assessments and reporting of nature-related risks (Goumet et al., forthcoming). In the UK, financial institutions such as NatWest, Lloyd's Bank and Aviva have included nature-related risks in their strategies, even in the absence of strong regulatory signals.

Given the increasing weight of evidence of the economic impact of nature degradation, we strongly support nature being considered holistically alongside climate change in transition plans by companies. We recognise that many UK firms are currently not equipped with the data, resources,

frameworks or guidance to do so effectively and encourage further work by the Government to support the rapid development of this ecosystem.

**The proposed disclosures regime has made the first step towards encouraging companies to consider nature in their operations, but does not effectively integrate nature risks, leaving companies underprepared and exposed.**

Under the ISSB standards, **IFRS S1 – and by extension UK SRS S1 – is the broad framework requiring disclosure of all material sustainability-related risks and opportunities. Nature-related matters are within scope:** IFRS S1 explicitly notes that companies should consider their dependencies and impacts on resources such as the natural environment throughout the value chain, as these can give rise to material financial risks or opportunities. However, IFRS S1 is framework-neutral on topics: it does not list specific metrics or targets for nature, leaving it to companies to determine materiality. This is a shortcoming: without explicit guidance, some companies may overlook nature-related issues, for example only reporting dependencies on nature rather than their impacts on nature, potentially under-reporting and possibly even worsening emerging nature-related risks. This is particularly concerning where these risks are indirect and more easily missed.

**IFRS S2 (Climate-related Disclosures) – and therefore UK SRS S2 – focuses on climate change alone.** It does not require companies to report on how they themselves impact or depend on nature, unless this is clearly linked to climate change, and the definition of a climate transition plan only encompasses reducing greenhouse gas emissions with no mention of conserving nature. This means a company could fully follow IFRS S2 by having a strong emissions reduction plan without acknowledging nature degradation. This is a clear omission if our aim is comprehensive transition planning and holistic risk management.

The **Transition Plan Taskforce (TPT) Disclosure Framework (2023a)** sets out common baselines and principles for good practice in transition planning in the UK. The TPT's mandate was climate-focused, and while its work went some way towards encouraging and guiding companies to consider the dependencies and impact of their climate transition plan on nature, **it stops short of providing robust guidance for how companies can comprehensively respond to nature-related risks and opportunities in their transition planning efforts.** In the Disclosure Framework itself, the TPT recognises that climate transition plans may have impacts and dependencies on the natural environment (TPT, 2023a: 16). It encourages disclosures of how such impacts and dependencies have been taken into account (1.1 Strategic Ambition), but provides no further detailed guidance.

Without clear metrics and targets in the Framework, it is left to the sectoral implementation guidance to support integration of these considerations. For example, the Food and Beverage Sector Guidance (2024d) recognises impacts and dependencies of the sector on nature, outlining governance, business and operational metrics and targets, whereas other sectoral guidance documents mention water management but give no consideration to nature more broadly. This current approach to nature inclusion in TPT implementation guidance creates the risk that only certain sectors with direct dependencies on nature – such as the food and beverage sector – consider nature degradation meaningfully in their transition planning process, while companies in other sectors (e.g. energy and manufacturing sectors) overlook their impacts and dependencies on nature, particularly where these are indirect.

We generally support the direction of travel that this consultation document proposes. However, we have recommendations for how the proposed approach can be strengthened and go further.

**We support the development of a meaningful suite of nature metrics and targets to help companies understand what nature risks look like operationally and to inform disclosures.**

What is needed is clear guidance on nature metrics and targets to companies across sectors to enhance companies' understanding of their impacts and dependencies.

There is ample opportunity to leverage existing work on disclosures to include and consider nature meaningfully in them – for example, that of the World Economic Forum (WEF), World Wide Fund for Nature, GFANZ and Taskforce on Nature-related Financial Disclosures (TNFD). However, significantly

more work is concurrently required to address nature-related data gaps, as well as developing meaningful nature metrics and targets for different sectors. Government should play a key role in supporting this work.

In the development of this work, we advocate understanding the drivers and pressures of nature degradation as a result of a company's activities, rather than solely the dependencies of a company on nature. For example, 'are their activities leading to deforestation/harmful fertiliser use/air pollutants/water pollution?', rather than just 'are they at operational risk during a drought if they are dependent on water-related ecosystem services?' It will also be important to distinguish between direct v. indirect and impacts v. dependencies, as this is where wider, less visible risks to a company may be identified (for example, how are overseas activities of a company that drive nature degradation considered?). Incorporating an understanding of both impacts and dependencies ensures a more comprehensive risk management strategy and will deliver more effective transition planning.

Finally, in line with our response to Q1, companies integrating nature into their transition plan disclosure can also provide critical input to support the Government's ongoing evaluation of progress towards legislative targets.

**The development of sectoral pathways should integrate nature considerations to provide greater clarity to companies on their role in meeting the UK's environmental targets.**

The UK's Environment Act (2021) and subsequent Environmental Improvement Plans (EIPs), National Biodiversity and Strategy Plan (2025) and long-discussed implementation of Forest Risk Commodity regulations already provide a national-level scaffold to guide the integration of nature into sectoral pathways.

In line with previous analysis that outlines the need to integrate nature considerations to deliver on net zero commitments for the corporate and financial sectors (WWF, 2023), we support the integration of nature considerations into sectoral pathway development. We do not support the separation of climate and nature in these pathways. For comprehensive risk management, nature risks and opportunities need to be considered beyond where they relate to climate. Explicitly linking transition plans to legislative environmental targets (where appropriate and relevant) and incorporating this into sectoral pathways would help companies align their strategies accordingly and more comprehensively account for both climate and nature risks.

We would encourage government to take steps to ensure nature is considered in the processes that are already underway for developing transition pathways and sectoral decarbonisation roadmaps under the Transition Finance Council and Net Zero Council. Excluding nature from sectoral transition pathways can lead companies to overlook exposure to nature-related financial risks (both physical and transition). The integration of nature into sectoral decarbonisation roadmaps, must, inherently, include the expertise of the Department for Environment, Food and Rural Affairs (Defra) to ascertain where sectors must consider nature alongside climate.

Nature risks and opportunities should eventually be integrated into sectoral pathways for all relevant sectors, but we agree with the prioritisation of 'high-nature impact sectors' for the phasing of pathway development work.

**We recommend that:**

- **Recommendation 10:** The Government should integrate considerations around the climate-nature nexus in the development of transition planning policy in the UK and avoid the creation of an additional bespoke workstream on nature.

This also includes supporting companies in effectively implementing what is already embedded within IFRS S1 and the TPT's resources and using existing nature transition disclosure frameworks to strengthen and guide companies to incorporate nature considerations into their disclosures. As sectoral transition pathways and templates are being developed by the Transition Finance Council and Net Zero Council, it is important that this process engages with Defra to integrate nature-related impacts and dependencies alongside climate change, where relevant.



- **Recommendation 11:** The Government and financial regulators should accelerate the development of resources required to enable companies to consider the climate-nature nexus in transition planning.

Government should provide support for solving nature-related data gaps to enable companies to disclose on nature-related risks and opportunities, better build their understanding of impacts and dependencies, and monitor outcomes. This also requires government to promote the development of a meaningful suite of nature metrics and targets that can be integrated into sectoral roadmaps, to align and translate national-level environmental targets to the level of the company.

- **Recommendation 12:** The Government should define the term ‘nature-positive’ to support a shared understanding of how the climate-nature nexus can be meaningfully integrated into transition planning.

This term is generally agreed to be poorly defined in both the academic and policy literature. The term or definition used should capture the intent of the Kunming–Montreal Global Biodiversity Framework ambition to *halt and reverse nature loss by 2030* and reflect existing language in UK environmental legislation and the UK’s National Biodiversity Strategic Action Plan.

## Section B6. Scope

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

In determining the scope for future transition plan requirements, we recommend the Government considers five key factors. Table 2 summarises these factors and maps these to the four policy objectives defined by the Government on page 14 of the consultation. It suggests indicators that could be used to assess these factors either on a standalone basis or when comparing different proposed scopes. Some of these factors may point in different directions; we propose that the aim should be to define a scope that balances them in a coherent and proportionate manner.

Table 2. Factors for Government to consider in determining the scope of transition plan requirements			
Factor	Policy objectives	Explanation	Indicator
1. Coverage of emissions	1. Support an orderly transition	The scope of entities required to develop and disclose transition plans should be designed to drive credible decarbonisation across the UK economy. Hence, sectors and firms that are high emitting, and where emissions reductions are pivotal for delivering national and global climate targets, should be in scope. This approach should be further complemented by capturing a sizeable share of firms operating in ‘hard-to-abate’ sectors, even if their footprint is smaller in national terms, given their role in national decarbonisation pathways.	[Comparative] Share of all emissions reported by UK firms covered [Comparative] Share of firms in emission-intensive industries covered (by % sector emissions or % of sector turnover) [Comparative] Share of firms in hard-to-abate sectors covered (by % of sector emissions or % of sector turnover).
2. Coverage of ‘at-risk-firms’	1. Support an orderly transition 2. Enhance transparency for investors and promote efficient capital allocation	To support Objectives 1–3 it is important that at-risk firms are actively planning for the transition. Inaction from firms with higher exposure to physical and/or transition risks could pose risks to the competitiveness of the firm itself, their investors and shareholders and the economic system. Requiring these firms to assess and	[Comparative] <b>Transition:</b> Share of firms in emission-intensive industries covered (by % of sector emissions or % of sector turnover)



	3. Support companies to capture opportunities	disclose how they manage these risks can help build resilience and enable risk management and adaptation both at firm-level and economy-wide. Hence, entities that are highly exposed to climate-related physical or transition risks should fall within scope.	[Comparative] <b>Physical:</b> Share of companies in sectors deemed 'high risk' covered (by % of sector turnover) [1].
3. Coverage of firms with potential for systemic contributions to decarbonisation and adaptation	1. Support an orderly transition	Economically significant firms can play an important role in supporting an economy-wide transition, even where they are not themselves high emitters or highly exposed to risks. For example, large retailers and manufacturers may have significant upstream or downstream supply chain influence. Large financial institutions have outsized influence over the pace and direction of the transition through their role as capital allocators, insurers and underwriters. Capital flows are pivotal to an orderly transition of the real economy and financial actors' transition plans serve as blueprints for aligning lending, investment and underwriting with climate goals. Hence, economically significant firms and large financial institutions that have a high potential for systemic contributions to climate objectives should fall within scope.	[Standalone] Are all large firms covered? (see below for reflections on thresholds)
4. Coverage of firms that are publicly traded or significant capital market participants	2. Enhance transparency for investors and promote efficient capital allocation 4. Support the UK's growth	To support efficient capital allocation, it is important that both equity and bond investors on primary and secondary markets have access to material information about the transition plans of the companies they invest in (see Q1). Large private firms with significant bond issuance programmes represent a major share of the UK corporate debt market – including these firms in scope ensures consistency of disclosure across debt and equity issuers. Excluding such firms would create information asymmetry and undermine fixed-income investor decision-making. Hence, publicly listed firms, along with large unlisted companies which are likely to raise financing via public or syndicated debt markets, should fall within scope.	[Standalone] Are all publicly listed companies covered? [Comparative] Share of UK corporate bond issuers covered (either by % of firms or % issuance value).
5. Maintaining proportionality and cost-effectiveness	4. Support the UK's growth	Developing and disclosing a transition plan does not come without costs for the reporting entities. To maintain overall proportionality and cost-effectiveness of the policy, requirements should be designed so that the requirements placed on companies are commensurate with their size, resources and market significance. Hence, thresholds may be needed to avoid disproportionate obligations on SMEs and entities with limited systemic impact.	[Comparative] Number of companies covered [Comparative] Number and share of SMEs in the total population of companies covered (vs. large firms).

Notes: [1] There is no single authoritative list of sectors deemed 'high physical climate risk' but resources such as the sectoral risk assessments from the UK Climate Change Risk Assessment (CCRA) (CCC, 2021), the NGFS Short-term Scenarios (2025) and the Bank of England's Climate Biennial Exploratory Scenario (CBES) (Bank of England, 2022) can help identify a reasonable shortlist of climate-exposed sectors.

Source: Authors

## Exploring options for defining scope

We propose there is value in testing different scope options against these criteria. The Government has suggested introducing requirements to the FTSE 100 and UK-registered financial institutions. We suggest testing two further options based on existing reporting thresholds:

- The scope of current TCFD requirements, as implemented through the Listing Requirements, Companies Act provisions on private companies and LLPs, and obligations for Occupational Pension Schemes ('TCFD scope')
- The scope of existing Streamlined Energy and Carbon Reporting requirements ('SECR scope').

Table 3 summarises the relevant thresholds and provides an estimate of the number of firms subject to each.

Table 3. Options for defining the scope of any future transition plan requirements			
	1. FTSE 100 and financial institutions (Fis)	2. TCFD	3. SECR
Threshold	<p><b>FTSE 100:</b> 100 largest companies by market capitalisation listed on the London Stock Exchange (LSEG) (including overseas issuers).</p> <p><b>FCA Regulated Fis:</b> UK-registered banks, asset managers, pension funds and insurers that are authorised/regulated by the FCA or PRA.</p>	<p><b>Listed firms:</b> All companies listed on the LSEG Main Market, including overseas issuers.</p> <p><b>Large regulated Fis:</b> Asset managers, life insurers and pension providers with &gt;£5bn assets/AUM</p> <p><b>Large pension schemes:</b> with &gt;£1bn AUM.</p> <p><b>Large private companies/LLPs, banks and insurers:</b> This includes:</p> <ul style="list-style-type: none"> <li>• Private companies/LLPs with &gt;500 employees and &gt;£500m turnover.</li> <li>• Banks and insurers with &gt;500 employees.</li> </ul>	<p><b>Quoted companies:</b> UK companies listed on the main market of a UK-registered stock exchange (LSEG Main Market) or recognised overseas exchanges.</p> <p><b>Large unquoted companies/LLPs:</b> Companies meeting at least two of the following criteria:</p> <ul style="list-style-type: none"> <li>• 250 or more employees</li> <li>• Annual turnover &gt;£36m</li> <li>• Annual balance sheet total &gt;£18m</li> </ul>
Estimated no. of companies	<p><b>FTSE 100:</b> 100 firms</p> <p><b>FCA/PRA Regulated Fis:</b> Up to 42,000 firms [1]</p>	<p><b>Listed Firms:</b> ~570-600 of which ~480 are unique to this group [2].</p> <p><b>Large regulated Fis:</b> ~140 asset managers and ~34 asset owners [3]</p> <p><b>Large pension schemes:</b> ~350 schemes [4]</p> <p><b>Large private companies/LLPs, banks and insurers:</b></p> <ul style="list-style-type: none"> <li>• Companies/LLPs: ~1,160 individual firms, aggregating to ~750 corporate groups [5]</li> <li>• Banks and insurers: ~200 [6]</li> </ul>	<p><b>Quoted companies:</b> ~1,137 companies [5]</p> <p><b>Large unquoted companies and LLPs:</b></p> <ul style="list-style-type: none"> <li>• Companies: ~19,750 individual corporate entities, aggregating to ~10,800 corporate groups [5]</li> <li>• LLPs: ~570 LLPs [5]</li> </ul>

Notes: [1] Source: FCA (2025c); [2] Source: Authors' analysis based on London Stock Exchange Issuers' List (LSEG, 2025). This was filtered for Main Market-listed commercial companies, excluding issuers in the financial services super-sector (assumed to be predominantly investment funds and therefore out of scope for TCFD requirements, which apply to listed *commercial* companies). Banks, insurance companies and pension funds are removed to avoid double counting of companies already in scope via the following groups: large regulated Fis, large pension schemes, large banks and insurers. [3] Source: FCA (2021). [4] Source: DWP (2021) [5] Source: Authors' analysis based on Moody's FAME database (2025). [6] Source: Authors' analysis based on PRA (2025b).

Source: Authors.

A full comparison of these options using the indicators above is beyond the scope of this response, but we can offer initial hypotheses on how these options are likely to compare against the factors outlined above (see Table 4).

Table 4. Hypotheses for the relative performance of options			
	Option 1. FTSE 100 + FIs	Option 2. TCFD	Option 3. SECR
1. Coverage of emissions	Low/medium. Includes some of the UK's largest emitters but overall corporate coverage is low. FIs add breadth though their direct (Scope 1 and 2) emissions are limited and they have less direct control over significant Scope 3 emissions.	Medium. Covers listed firms, large financial institutions and ~1,200 major private corporates/LLPs, likely capturing a broader share of UK emissions, though mid-sized emitters remain outside scope.	High. Covers ~20,000 firms, including most large energy users, giving the broadest capture of UK corporate emissions, though smaller emitters are still excluded.
2. Coverage of 'at risk firms'	Low/medium. Captures large number of financial institutions and some large emitters but likely to miss many mid-sized firms highly exposed to both physical and transition risks. Limited coverage of firms in the agriculture, forestry and fishing sector, which is highly exposed to physical climate risk (see Appendix 1).	Medium. Provides stronger coverage of real economy firms than Option 1. However, given the scope is based on size, it does not systematically capture firms in exposed sectors (e.g. agriculture; utilities).	High. Given the wider reach of this option, there is a higher likelihood that large segments of sectors exposed to transition and physical risks would be covered.
3. Coverage of firms with potential for systemic contributions	Low. Captures large number of financial institutions and some of the UK's most economically significant corporates but likely to miss many influential large and mid-sized companies, particularly those that are privately held.	Medium/high. Extends to all UK-listed firms (including foreign-incorporated entities), large privately held firms and large financial institutions. It may miss some smaller actors with significant supply chain influence (e.g. wholesalers and distributors).	High. Given the wider reach of this option, there is a higher likelihood that firms with significant potential for systemic contribution would be in scope for transition planning requirements.
4. Coverage of firms that are publicly traded or significant capital market participants	Low. The FTSE 100 index captures just 10% of companies listed on the LSEG. This grouping also does not capture privately-owned issuers in debt capital markets.	Medium/high. Extends to all UK-listed firms (including foreign-incorporated entities) and is likely to cover at least a segment of debt capital market participants.	High. Covers all UK-incorporated companies quoted on an exchange, including those listed overseas, but excludes foreign-incorporated firms listed in the UK. With its broad reach across large privately held corporates, this option would provide the strongest coverage of debt capital market participants.

Source: Authors

## Further reflections

There are two further reflections we would like to raise for consideration.

**Firstly, we advise against using the FTSE 100 index as a threshold criterion for regulatory requirements.** The FTSE 100 Index is a commercial product designed by FTSE Russell, predominantly as a financial

benchmark and investment tool. Relying on this index for regulatory requirements raises the key challenge that the index composition is rebalanced quarterly, making it a highly unpredictable baseline for regulatory requirements.

**Secondly, we propose that a useful starting point for assessing factors 1–2 above (coverage of emissions and at-risk firms) is to explore potential sectoral skews created by the different scopes.** To do this, we compared the turnover weights of different real economy sectors in each of the proposed scopes against their share in the overall UK economy (see the Appendix for the methodology and results). This analysis reveals distinct patterns. As we move from the broadest option (Option 3. SECR) to the narrowest (Option 1. FTSE 100 + FIs), sectoral coverage becomes skewed, with the production sector overrepresented and underrepresentation of sectors such as **wholesale, agriculture, forestry and fishing, construction** and – particularly under Option 1 – **transport**. This aligns with Rasche et al. (2025) who, in the context of European Corporate Sustainability Reporting Directive requirements, find that reporting obligations do not always reflect the centrality of certain sectors to a successful transition, due in part to differences in average firm sizes across sectors. This underlines the importance of explicitly assessing sectoral balance when defining scope, to avoid systematic under-coverage of sectors that are central to a successful transition.

#### **We recommend that:**

- **Recommendation 13:** The Government should assess alternative scope options against (1) coverage of emissions, (2) coverage of 'at-risk firms', (3) coverage of firms with potential for systemic contributions, (4) coverage of firms that are publicly traded or significant participants in debt capital market, and (5) proportionality and cost-effectiveness. An initial comparison of options suggests that the existing scope of requirements of the Task Force on Climate-related Financial Disclosures (TCFD) is a sound starting point, but sectoral skews should be examined to ensure firms in sectors critical to a successful transition are captured.

#### **We did not submit responses to the following questions:**

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?**

Properly designed requirements across B1–B4 can be implemented without materially increasing liability risk for honest companies and directors, given existing UK legal frameworks. In fact, moving beyond disclosure (B1) to implementation (B2), alignment (B3) and adaptation integration (B4) is likely to reduce overall litigation risk by clarifying expectations, curbing greenwashing and strengthening governance (Setzer and Higham, 2025; Thompson et al., 2025). Below we set out our views option-by-option and propose drafting measures to secure legal certainty.

#### **Section B1 – Developing and disclosing a transition plan**

##### *Option 1 (comply-or-explain)*

In our view, this option would not result in heightened liability risks for companies or their directors. This 'comply or explain' approach would follow the same approach as current regimes to provide climate-related financial disclosures under section 414CB of the Companies Act, and for certain listed companies, under the FCA Listing Rules.

As set out clearly in Q6 and Q15, we strongly encourage going beyond Option 1 and introducing a legal obligation to develop, disclose and implement transition plans. See Recommendations 1–3.

If the Government chooses to proceed with option 1, we would recommend adding wording similar to those adopted in section 414CB(4B) of the Companies Act – i.e. where directors must provide a “*clear and reasoned explanation*” of why they have not published or disclosed transition plan-related information in accordance with UK SRS S2. Similarly, in line with the FCA Listing Rules, there should also be a requirement to include information on “any steps it [the entity] is taking or plans to take in order to be able to make those disclosures in the future, and the timeframe within which it expects to be able to make those disclosures” (see 6.6.6R(8)). The UK Government should also provide guidance to firms about the risks of greenwashing litigation under consumer protection and securities laws associated with the provision of unsubstantiated sustainability claims, including those about targets, plans and commitments.

### *Option 2 (mandatory development and disclosure)*

In our view, requiring companies to develop and disclose a transition plan does not materially change liability risks for companies or directors, as existing safe harbours would protect companies and directors that act with due diligence. The current UK legal framework sets a high bar for liability for forward-looking disclosures made in good faith. Specifically, we align with the view shared in a legal opinion published by Andrew Thompson KC, Philip Morrison and Lily Church (all of Erskine Chambers) (2025), which states under Section H that:

- If a transition plan disclosure obligation was covered by section 463 of the Companies Act, it already “provides extensive protection to honest directors”; and
- If section 90A of the Financial Services and Markets Act 2000 (FSMA) applies to the transition plan disclosure obligation, companies “will already benefit from a limited safe harbour under Schedule 10A FSMA”.

As set out under Q15 and detailed further below, requiring firms to develop transition plans can, on the contrary, *reduce* legal risk. Aligning disclosures to the TPT Framework and UK SRS S2/IFRS S2 and rationalising overlaps with existing regimes (see Q12) can also help mitigate inadvertent non-compliance or administrative error risk by companies.

## **B2 and B3 – Mandating transition plan implementation and alignment of transition plans to net zero by 2050**

We address the legal implications for an implementation and alignment obligation jointly, given that our recommendation treats these as interlinked. Recommendations 1, 7 and 8 outline that companies should be required to implement their transition plans, and that these plans must disclose whether and how their targets align to the UK’s NDC and net zero target, as well as the expected trajectory of how these targets will be achieved.

In our view, an implementation and alignment obligation will reduce legal (litigation) risk for in-scope companies. This analysis draws on our research analysing global climate change litigation trends (see our annual *Global Trends in Climate Change Litigation* snapshot series [here](#)). As set out under Q15, comprehensive transition planning processes and requirements to implement transition plans can mitigate the risk of several different types of climate litigation: climate-washing or greenwashing litigation and corporate framework litigation. In this question, we focus on setting out the benefits of also reducing ‘transition risk’ litigation. This refers to cases concerned with the (mis)management of climate transition risk by directors, officers and others tasked with ensuring the success of a business (Setzer and Higham, 2024; 2025). This type of litigation has already emerged; see, for example, *ClientEarth v. Shell board of directors*.

While not from the UK, the *Enea v. Former Board Members and D&O insurers* case provides an additional useful illustration. In this case, the management of the Polish energy company is suing former directors and insurers who had supported the company’s investments into a coal-fired power station project, which had previously been challenged by NGOs and was ultimately cancelled. The company is seeking over PLN 656 million in damages and alleges that the former board members breached their fiduciary duties.

As key decision-makers, directors play a crucial role in the transition. However, their legal liabilities in this context are left open to interpretation. In the UK, this includes around how climate-aligned (or non-climate-aligned) decisions would be interpreted in line with directors' duties to act in a way they consider "most likely to promote the success of the company" (Companies Act, section 172), or to exercise "reasonable care, skill and diligence" (section 174). The ClientEarth case was brought on these grounds, arguing that neither the targets nor means adopted by the board establish any reasonable basis for achieving the net zero target set by the company. Although this case was eventually dismissed, as noted by [Lord Robert Carnwarth](#), this could have been a "valuable chance to examine the operation of the relevant Companies Act provisions" ([Carnwarth, 2024:6](#)).

The current legal ambiguity can, on the contrary, disincentivise and create risk for directors seeking to be ambitious on climate change. Stronger legal frameworks are needed to push for ambitious climate action and one way to do this is through explicit codification of duties ([Akin, 2025](#)). As Thompson et al. (2025) outline in their legal opinion on the disclosure element of transition plans, the act of preparing and publishing the plan "is likely in practice to increase compliance by directors with their duties in relation to climate-related risks and opportunities and therefore reduce the overall risk of liabilities for breach of such duties" (p.41).

Introducing mandatory transition plan implementation obligations is an opportunity to clarify that where a board adopts and discloses a transition plan with targets aligned with the UK's NDC and net zero target, they must implement policies reasonably capable of achieving those objectives. As the current version of the EU Corporate Sustainability Due Diligence Directive does, it can be made clear that the company's obligation is one of means (not results), and directors are required to take and show reasonable steps to achieve those goals. Where goals are not reached due to uncertainties and dependencies that impact deliverability – not dissimilar to other business goals that companies set in non-climate-related planning – it is enough to show that directors reasonably believed that such plans were credible and not misleading at the time. The emphasis is on process and good faith intent, rather than target outcomes. The step of disclosing level of alignment, supported by government guidance on benchmarks and pathways, can increase comparability across companies, without imposing strict outcome liability.

#### **B4 – Climate adaptation and resilience alignment**

As set out in our response to Q21, embedding adaptation within transition plans (per TPT and the TPT AWG Primer) reduces exposure to claims of failure to prepare for foreseeable physical risks and supports financial-stability objectives ([Setzer and Higham, 2025](#); [Smoleńska et al., 2025](#)). Litigation is emerging against companies and directors/officers for inadequate preparation and disclosure of physical risks. Mandating disclosure of adaptation-related information (e.g. risk assessment, objectives, capex/opex plans, metrics/targets) clarifies expectations and helps mitigate legal risk.

### **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?**

As set out under Q27, we do not see significant legal implications for companies (or directors) that disclose transition plans, on the basis that current legal protections are made applicable to discrete transition plans. The legal opinion provided by Thompson et al. (2025) provides additional detail on this point, clarifying that extensive legal protection is already provided to honest directors. To provide legal certainty and comfort, we recommend clarifying that transition plans, when published as standalone documents (i.e. outside of annual reporting) are also covered by existing safe harbours under section 463 of the Companies Act and any transition plan-related information is also covered by Schedule 10A of FSMA.



## Section C. Related policy and frameworks

We did not submit responses to the following questions:

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?

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# Appendix: Sectoral composition of scope options

Table A.1 compares the sectoral composition of the three proposed scope options against the UK economy as a whole. This analysis focuses exclusively on the real economy (i.e. non-financial sectors). The systemic role of financial institutions as capital allocators is treated separately in our scope analysis (see Table 2). Furthermore, it is important to note that the FTSE 100 and TCFD scopes include non-UK companies listed on UK markets, whereas SECR and the UK economy benchmark cover only UK-incorporated firms. While not a perfect like-for-like comparison, this analysis still draws meaningful insights on the differences in sectoral composition across the proposed scope options.

We further add the greenhouse gas (GHG) intensity for each sector, which provides a first indication of the sector's relevance to a successful transition.

Table A.1 Sectoral composition of scope options

SIC Sector	Share of Economy [1]	Scope Option 1: FTSE 100		Scope Option 2: TCFD		Scope Option 3: SECR		Emissions Intensity
		Sector Weight [2]	Deviation from Share of Economy [3]	Sector Weight [2]	Deviation from Share of Economy [3]	Sector Weight [2]	Deviation from Share of Economy [3]	GHG Intensity [4]
Wholesale	18.02%	2.33%	-15.69%	4.49%	-13.54%	8.97%	-9.05%	0.05
Production	17.85%	71.70%	53.86%	52.14%	34.29%	35.03%	17.19%	0.44-2.82
Retail	10.37%	10.14%	-0.24%	10.90%	0.53%	8.99%	-1.38%	0.05
Professional, scientific & technical	8.70%	2.55%	-6.15%	9.99%	1.29%	13.63%	4.94%	0.01
Information & communication	7.28%	5.38%	-1.91%	5.57%	-1.72%	6.96%	-0.32%	0.01
Construction	7.07%	0.94%	-6.13%	2.84%	-4.23%	4.15%	-2.91%	0.08
Business administration & support service	6.24%	0.00%	-6.24%	3.68%	-2.56%	8.21%	1.97%	0.03
Health	5.36%	0.00%	-5.36%	0.18%	-5.18%	0.62%	-4.74%	0.04
Motor trades	4.56%	0.04%	-4.52%	2.91%	-1.65%	3.57%	-0.99%	0.05
Transport & Storage (inc. postal)	4.25%	2.46%	-1.79%	3.89%	-0.36%	4.00%	-0.25%	0.92
Arts, entertainment, recreation	2.56%	0.41%	-2.16%	1.37%	-1.19%	2.19%	-0.37%	0.04
Education	2.05%	0.00%	-2.05%	0.01%	-2.03%	0.17%	-1.88%	0.02
Accommodation & food services	1.85%	3.37%	1.52%	1.63%	-0.22%	1.88%	0.04%	0.07
Property	1.73%	0.07%	-1.65%	0.19%	-1.53%	0.93%	-0.80%	0
Agriculture, forestry & fishing	1.09%	0.00%	-1.09%	0.10%	-0.98%	0.35%	-0.74%	2.91
Public administration & defence	1.03%	0.61%	-0.42%	0.11%	-0.92%	0.33%	-0.70%	0.04
		6.92%		4.51%		3.02%		

Notes: [1] Source: Authors' calculations based on ONS (2024). [2] The Sector weight represents the share of total turnover represented by companies in each sector, based on the in-scope universes described in Table 2 and sector groupings applied in ONS (2024). Source: Authors' calculation based on FAME Database (Moody's 2025). [3] These figures represent the deviation between the sector weight in each scope universe versus the weight of that sector in the wider UK economy as a whole. Positive values indicate over-representation of a sector, while negative values indicate under-representation. Positive deviations greater than one percentage point are highlighted in green. Negative deviations greater than one percentage point are highlighted in red. Source: Authors' calculations. [4] Source: ONS, 2025. The colour shading reflects the relative sectoral emissions intensities, ranging from green for the lowest intensity sectors, to red for the sectors with the highest intensity.