

**To:**  
UK Transition Plan Taskforce Secretariat

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Dear Secretariat,

The UK Sustainable Investment and Finance Association (UKSIF) is the leading membership organisation for sustainable finance in the UK, committed to promoting a financial system that works for the benefit of the environment, society, and us all.

We are pleased to respond to the Transition Plan Taskforce (TPT) consultation on its latest Disclosure Framework, which marks an important milestone in the development of 'gold-standard' and decision-useful climate transition plans for private-sector companies in the UK.

We strongly endorse the Taskforce's work to date in delivering progress at pace on these plans, particularly given the considerable and growing interest we see from investors, businesses, civil society, and other stakeholders in how organisations are transitioning their business models to align with a 1.5°C future. UKSIF has welcomed the opportunity to contribute our and our members' views towards the work of the TPT, including advising on the Implementation Guidance to assist private-sector transition plan users and preparers.

Our members continue to see climate transition plans playing a vital part in assisting their efforts to scrutinise investee companies' progress on their journey towards net-zero. We expect that the data and disclosures provided by these plans, particularly should they be implemented across the whole of the UK's economy in time, will help to better support investors' capital allocation decisions and to price risks in their investments more accurately on behalf of clients and customers.

For companies, we hope that transition plans will help to achieve the following: assist in positively shaping company boards' business strategies by encouraging climate issues to be more of a direct board priority; build greater confidence in companies' efforts to transition among shareholders and other stakeholders, such as consumers; and crucially help issuers to attract investment from overseas with global investors increasingly seeking to allocate capital to companies with transparent and comparable disclosures in place, including in regards to their emissions and transition plans.

We believe that the direction of travel shown in the TPT's latest Disclosure Framework is very positive, and a number of valuable changes have been made from the original framework proposed in last year's 'Call for Evidence.'<sup>1</sup> This includes: a clearer recognition of the importance of real-world outcomes that transition plans are seeking to achieve, rather than on processes alone and reduction

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<sup>1</sup>UKSIF's response to the 'Call for Evidence' last year can be found [here](#). UKSIF response, Transition Plan Taskforce, Call for Evidence- A Sector-Neutral Framework for private sector transition plans. July 2022.

of emissions at the investment portfolio level; clearer references to nature and social considerations arising from the transition, such as the 'Just Transition'; further details on the disclosures approach in regards to carbon credits, including recommendation to disclose in detail on those factors contributing to the quality and robustness of carbon credits; and confirmation of the Disclosure Framework's consistency with international guidance and frameworks, such as the Glasgow Financial Alliance for Net-Zero (GFANZ) work on real-economy and financial institution transitions plans.

UKSIF's response expresses our and our members' support for many of the latest proposals outlined in the Disclosures Framework, while highlighting some areas for further consideration by the TPT in the coming months. The areas and themes identified in our response include the following:

- **Consideration from the TPT of ways to facilitate further consistency between the UK's Disclosure Framework and international frameworks**, such as GFANZ and the International Sustainability Standards Board (ISSB), while maintaining an objective and world-leading framework for the UK market. This could assist in the wider adoption of the UK's framework across different jurisdictions in the coming years.
- **Further guidance on practically embedding social and nature considerations into the upcoming Disclosure Framework**, including through updates to the Implementation Guidance by the TPT ahead of this being finalised later this year. This work could seek to build better understanding among preparers and issuers on these specific areas and their envisaged treatment within transition plans.
- **More broadly, we would strongly welcome the TPT considering further ways to promote understanding of transition plans among users and preparers and capacity building**, particularly for smaller companies, which could promote greater adoption of these plans by issuers in the coming years. Additional 'best-practice' guides could be considered in the coming months, as well as dedicated 'sandboxes' on specific challenging areas to assist companies in producing their plans. For our members, some of them may have a relatively less advanced understanding of what 'good' looks like, reinforcing the importance of regular, ongoing guidance from the TPT and regulators as these plans are adopted in the economy. Given the high ambition shown in the Disclosure's Framework, which we fully support, this will be a particularly important consideration for the TPT.
- Finally, we would like to see the TPT and wider stakeholders emphasise the case more clearly to policymakers that **the value and robustness of companies' transition plans continue to be heavily dependent on government's own efforts to provide credible sectoral transition plans across the wider economy**.

### Overall views on TPT's Disclosure Framework

We largely support the TPT's latest recommendations set out for companies to report against the five elements and 19 sub-elements of a transition plan. We believe that the framework achieves the appropriate balance between positive ambition and usability in practice.

It is positive to see alignment and references to the work of the GFANZ and guidance from the Task Force on Climate-related Financial Disclosures (TCFD). For example, the five main disclosure elements proposed by the TPT appear to be the exact same as those core areas proposed by GFANZ: foundations, implementation strategy, engagement strategy, metrics and targets, and governance.

This consistency is very much welcome, and should help to minimise costs and the risks of a fragmented approach, where companies and investors operating internationally across markets will often have to produce multiple reports and templates, and enabling our members to better compare ESG data and transition plan disclosures will be very helpful.

### **Consistency with international frameworks**

In order to promote as much harmonisation as is possible with international regimes, consideration could be given by the TPT in the final Implementation Guidance as to how the UK's framework could become, in time, a leading 'gold standard' adopted in other jurisdictions. This includes in relation to developed markets, while also exploring how disclosures from the UK's framework could be drawn on, where possible, for emerging markets.

Following the ISSB's publication of its final climate-related and sustainability-related standards later this year, the TPT may want to explore further analysis and mapping to assess where and how the UK's framework will build on ISSB's standards for transition plans.

We continue to see the ISSB's standards and guidance for transition plans, and broader disclosures, as a 'baseline' for the UK to then build on top of in future. The TPT should also continue to closely consider other global initiatives and jurisdictions' activities on transition plans, beyond ISSB, including from the GFANZ, EU, OECD, and TCFD. The TPT may want to outline in its revised guidance further specificity as to how these different standards are linked together and could complement one another, and how it intends to support HM Treasury and other departments in discussions at the international level on transition plans. This includes through the G7, G20, and International Platform on Sustainable Finance (IPSF).

In regards to emerging markets, their perspectives will need to be taken into account as policymakers across the world seek to promote a global 'baseline' for disclosure standards and transition plans, given the relatively larger data availability gaps in these markets. These considerations may have some implications for UK-based companies serving a large emerging markets client base, with consistent and accurate reporting for example on Scope 3 emissions likely to be less feasible at present, and there could be a case to consider additional flexibility for this particular group. A lack of take-up and reporting on transition plan disclosures in emerging markets could lead to some reporting challenges by UK companies.

### **Embedding of nature and social considerations in the framework and guidance**

We are hugely supportive of the Disclosure Framework's requirements for disclosures on nature within transition plans, namely on interdependencies between nature and climate, which we emphasised in our response to last year's 'Call for Evidence'.

We would recommend that the integration of nature within companies' transition plans remains central to the Disclosure Framework ahead of it being finalised, namely because we know that the world will not transition to net-zero without greater strides being made towards the creation of a nature-positive economy. This will be invaluable for our members in assessing the credibility of a company's transition plan, while for companies they are increasingly valuing guidance on considerations of nature risks and opportunities in relation to transition planning, and how possible trade-offs could be managed.

Given the positive inclusion of nature and climate interdependencies in the framework, the TPT could seek ways to enhance the Implementation Guidance in the coming months in order to better guide companies as to how nature considerations, and these interdependencies, can be incorporated into the framework. One way of helping achieve this could be to consider referencing the Taskforce on Nature-related Financial Disclosures (TNFD) framework as one model to guide companies on latest 'best practice.' The Implementation Guidance could also seek to draw on recent

thought leadership from industry and wider stakeholders, for example WWF's *Nature in Transition Plans: Why and How?* report.<sup>2</sup>

In time, should international frameworks such as ISSB begin to incorporate nature more fully within their future standards, then the UK's Disclosure Framework should look to evolve in future to more directly encompass nature considerations. The TPT's Implementation Guidance could provide further expectations in regards to social considerations as well, for example drawing on the LSE Grantham Research Institute's *Making Transition Plans Just* report, which UKSIF and other members of the 'Financing a Just Transition Alliance' (FJTA) contributed to, as well as the Alliance's response to his consultation. We very much welcome the current references to the social dimensions of the transition in the current Guidance.<sup>3</sup>

### **Updating of transition plans and their location**

We are supportive of the TPT's recommendation for a standalone transition plan to be published every three years alongside annual updates where material, including through disclosures against TCFD or ISSB. This will help to promote transparency within transition plans and more regular accountability and scrutiny.

The Implementation Guidance could usefully specify what material developments could warrant more frequent updates of plans than the three-year cycle. Recent significant geo-political uncertainty and events, such as Russia's invasion of Ukraine, lend the case for this additional clarity on material circumstances for companies in preparing plans that may want to update their plans at more regular intervals. Additional clarity would be beneficial as to what progress updates should be included in companies' annual reports.

In terms of the location of transition plan disclosures, we continue to support integrating these as much as possible into existing mainstream reporting, such as annual reports and accounts. This will help promote accountability among company boards and management, while helping ensure they are easier to find for wider stakeholders.

With sustainability-related information increasingly recognised as financially material for companies, this lends the case for the inclusion of these plans within annual reports. It should be noted that some of our members have raised concerns around possible liability risks for UK companies publishing transition plans; this is in regards to both regulatory authorities in some overseas jurisdictions and in the UK, and these risks may need to be carefully considered by the TPT and policymakers.

### **Potential prioritisation of the Disclosure Framework to guide issuers and preparers**

The Implementation Guidance could seek to clarify that some investors and other 'users' of transition plans may want to prioritise, or determine the materiality of, certain core components of the Disclosure Framework's sub-elements. This prioritisation may depend on the companies and assets' carbon emissions, performance on broader sustainability indicators, and other factors.

This additional guidance on the relative importance, or weighting, of the various sub-elements may be valuable in helping 'users' to navigate the Disclosure Framework, and for preparers in producing

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<sup>2</sup>WWF, [Nature in Transition Plans: Why and How?](#) How companies can consider climate and nature together in current transition planning report January 2023.

<sup>3</sup>LSE Grantham Research Institute, [Making transition plans just: how to embed the just transition into financial sector net zero plans](#), October 2022.

their transition plans. These considerations should not come at the cost of significantly downgrading, in some form, any of the Framework's 19 sub-elements which should be viewed as a necessary part forming a 'gold-standard' plan. We believe the 19 sub-elements are very important to ensure that a company's transition is comprehensive and presents a full picture, while avoiding the prospect of over-reliance on a 'cherry-picking' approach that could reduce the comparability of plans.

At a minimum, the revised Implementation Guidance could include an acknowledgement of the option to assess materiality and dependency; for example, in relation to issuers' engagement with parties in the value chain given this may contrast quite widely depending on the depth of a company's value chain.

One other example could be in regards to the 'Products and services' Sub-Element, which may be more directly relevant for real-economy corporates as opposed to financial services institutions; for example, the development of new sustainable finance products and funds may not always be a financial services firm's main decarbonisation tool.

Another way to promote prioritisation for investors could be for the TPT to seek ways to avoid repetition of certain areas across the Sub-Elements, which some of our members have raised; for example between the 'Foundations' and 'Implementation strategy' elements. Avoiding repetition as much as possible across the Disclosure Framework will help to make the transition plan more decision-useful, and minimise the reporting burden on issuers.<sup>4</sup>

### **Role of government in outlining clear sectoral transition plans**

A hugely important consideration for the TPT, our members, and wider stakeholders, that should be strongly emphasised to government, is that the robustness of companies' transition plans will be heavily dependent on government's efforts to set out detailed sectoral transition plans across the economy. This is particularly important for those sectors where investors see less clarity provided.

Clear transition pathways for sectors, underpinned by interim targets, milestones, and actions to shift financial flows towards net-zero, will be critical for transition plan users and preparers and promote the effective implementation of the Disclosure Framework in the UK's market in the coming years.<sup>5</sup>

These clearer pathways from government will be key in tackling potential risks facing companies in publishing and then making progress towards their transition plans, particularly given that these plans for companies are very much forward-looking in nature and strongly reliant on various assumptions, including the direction of travel of policymaking and regulation. Continued policy gaps in various sectors may put at risk a company's transition plan in future.

We would recommend that the TPT and other stakeholders make the stronger, active case to government for the publication of credible pathways for sectors, particularly for those most high-emitting industries, where transition risks are most apparent for investors, and where policy clarity

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<sup>4</sup>Separately, the TPT could further define what is meant by 'short,' 'medium', and 'long term' in regards to greenhouse gases (GHGs) and actions, which could promote greater comparability for users of transition plans, and certainty for preparers of plans.

<sup>5</sup>This is a core recommendation we highlighted in an open letter to the UK government in September last year. UKSIF, IIGCC and PRI open [letter](#) to the UK Prime Minister, CEOs of leading investor groups call on new government to uphold net zero ambition, September 2022.

is particularly lacking (e.g. heat and buildings and agriculture and farming).<sup>6</sup> A clearer sense of various sectors' pathways, coupled with improved disclosures from real-economy corporates taking place in time, will facilitate higher-quality transition plans from issuers, and we hope to see clarity in this area in the UK's upcoming 'Green Finance Strategy'.

### **Scope and coverage of transition plans in the UK**

In regards to the roll-out of transition plans in the coming years in the UK economy, we continue to recommend that government introduce transition plans on a mandatory basis across the wider economy, including for large privately-owned businesses, and this step would fulfil one of the UK's key pledges made in Glasgow at COP26.

For privately-owned companies specifically, we continue to believe that transition plan requirements are necessary to: help avoid risks of 'regulatory arbitrage', minimise the scenario of financing for high-emitting industries and companies to be channelled elsewhere within the finance sector, promote the flows of decision-useful information across the economy that can inform investment decisions, and avoid the misallocation of capital flows. This extended coverage for transition plans is a particularly important consideration given the recent requirements we have seen for UK asset managers, asset owners and listed companies to publish transition plans on a 'comply or explain' basis.<sup>7</sup>

Broadly speaking, we would like to see the TPT and wider stakeholders make the stronger case to policymakers which highlights the short and long-term economic benefits of transition plans for the private finance sector, investors, businesses, wider stakeholders, and the UK economy at large.

### **Other considerations for the TPT**

As part of the mandatory implementation across the UK's economy, we expect an appropriate lead-in time will be needed to provide companies with time to build up their understanding. This should be acknowledged given the nascency of transition plans and the iterative process we expect to be adopted by companies in forming and publishing these plans.<sup>8</sup>

In the meantime, the TPT and policymakers should actively encourage voluntary disclosures ahead of any mandatory requirements coming in place. There will need to be a collective recognition from policymakers and wider stakeholders that initial disclosures from many issuers may be imperfect, similarly to the experience of the roll-out of TCFD-aligned disclosures in the UK economy, making the role of 'sandboxes' and ongoing active support from the TPT vital.

The TPT and regulators could more explicitly acknowledge the expectation that disclosures will be an iterative process and that a highly effective plan may not be achieved at the very initial stage from all issuers. This could give greater confidence to companies to voluntarily publish transition plans ahead of formal mandatory requirements coming in place, and we are hopeful this trend will take place. For investors, they will benefit from comparing different approaches from issuers and understanding how ambitious a company's plan is in relation to peers in a particular sector.

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<sup>6</sup>The UK should seek to prioritise a 'sectoral approach' and as part of this bring together government, regulators, investors, and other groups to consider the following areas: a long-term financing framework to lower the costs of capital; a policy framework to tackle the risks of future changes to regulation; facilitating a strong and investible pipeline of projects including through effective project preparation; binding decarbonisation pathways, among other areas such as sustainable usage of resources like water.

<sup>7</sup>There is a precedent for this step with the UK's TCFD requirements now applying to the largest privately-owned companies.

<sup>8</sup>We understand that some financial institutions that are in the more 'advanced' phase of preparing transition plans nonetheless remain in the initial, early stages of developing robust approaches to these plans. Collectively, companies, both financial and non-financial, appear to at an early stage in their thinking and testing of their plans.

Separately to this, it would be good for the TPT to consider more directly referencing within the definition of a transition plan the central importance of plans aligning with robust science-based targets, which is currently drafted in a relatively loose manner we think within the 'Ambition' principle in the framework. Linked to this, the 'Objectives and priorities' Sub-Element of the framework could more clearly reiterate the objective of real-world decarbonisation above 'artificial decarbonisation.'

This is a concern as we continue to envisage challenges that may arise from companies and investors looking to achieve 'artificial decarbonisation' at the company level by simply selling off, or divesting, from high-carbon intensive assets, and collectively policymakers and wider stakeholders will need to be attuned to this scenario. Clearer consideration of environmental and social impacts will need to be brought out further in the framework's 'Ambition' principle, building on the current focus on enterprise value, given that we expect companies' impacts-in the long-run-to ultimately impact enterprise value and there is often overlap between a company's impact and enterprise value, which is being increasingly recognised.

In conclusion, we continue to see considerable economic and leadership opportunities for the UK as the TPT's work develops on its Disclosure Framework and Implementation Guidance in the coming months. We believe that progress in this area can help advance the UK in delivering on the vital commitment made at COP26 to be the 'world's first net-zero financial centre'.

We would be pleased to discuss our response with you and members of the Taskforce in due course, and look forward to continue supporting your work.

Yours sincerely,



**James Alexander**  
Chief Executive, UKSIF