

Department for Energy Security and Net Zero: consultation on transition plan requirements

SUMMARY

ShareAction welcomes the Transition Plans consultation and the Government's intention to remain committed to the Labour election manifesto of mandatory transition plans. We believe there are many options to ensure transition plans are delivered in the UK, and they will ensure that companies and financial institutions contribute to our economy's transition to net zero.

In our response we advocate a “building blocks” and “test and learn” approach. To begin with, Government should adopt in full the framework, sub-elements and core disclosure recommendations of the Transition Plan Taskforce (TPT) (Q6), which has considered a proportionate approach deeply and with extensive involvement from all quarters of business and civil society for two-and-a-half years. These should be layered onto S2 reporting (Q5). S2 reporting on its own is insufficient to deliver robust transition planning and comparable outputs (Q7-8).

Close monitoring and analysis of entity disclosures will then inform what further layers of duties are necessary in relation to mandatory implementation (Q15), climate adaptation (Q21) and nature alignment (Q23) and how these should be best designed.

It is more important to make a start, relying on market mechanisms to ensure implementation in the first instance (Q16). By following this approach, we can begin to support firms to respond to the risks and opportunities facing them *now*, and to undertake the emissions cuts and innovation needed in the 2020s, rather than seek to design everything before firms are expected to act, as this would delay meaningful action until the next Parliament.

However, we urge that transition plans should be (a) mandatory (Qs10-11) and (b) Paris aligned (Q17) - holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C.

Transition plans have the potential to be extremely useful for investors (Q3). In particular, standardised mandatory transition plans against a specified scenario are not only most effective for investors but also the most effective way for organisations to meet legitimate investor demand for information about firms' ambition and actions, and to ensure accountability (Q9). Our frustrating experience of using the current range of voluntary, vague, poorly-specified and non-comparable transition plans (Q1, Q4) shows the dangers of

the Government seeking to meet the Prime Minister's target to reduce regulatory burdens on firms by failing to provide an underpinning statutory framework for reporting transition plans. Without this, it becomes extremely challenging for investors to assess transition plans at a portfolio or index level, or for pension beneficiaries to compare schemes (Q14).

Reporting entities risk being swamped in turn by multiple conflicting data demands from investors in an effort to plug the gaps. This will increase burdens overall.

A voluntary approach therefore increases burdens, but a mandatory approach need not do so. We outline how transition plans could be incorporated into company annual reports and accounts alongside TCFD reports (Q12), should companies choose to do, or as part of pension schemes' existing climate reports, accompanied by clearer standardised member-facing summaries (Q13). They could subsume TCFD reports, reducing burdens overall by cutting reporting on high temperature scenarios – companies have limited levers with which to respond to many of the challenges of a 3° or 4°C world (Q21), and unreliable models have dramatically understated the impacts (Q22). However, this incorporation should only happen under a strong transition plan policy.

If the Government is serious about reaching net zero and staying committed to the Paris Agreement, it must ensure that financial flows reflect those goals, with no role for unregulated carbon credits (Q29). Currently, they do not. Transition plans could be a key lever in achieving financial growth that aligns with the future. A narrow UK-centric approach, which makes Paris alignment mandatory in the UK and voluntary elsewhere, does not take account of the role firms have in influencing many overseas governments' policy and will inadvertently incentivise firms to move their polluting UK operations offshore. Sector-specific decarbonisation trajectories are widely available, including for hard to decarbonise sectors (Q18-19), whilst methodologies have long been in place for jurisdictions where data is not readily available (Q20).

On who should be required to report, we suggest that the concerns over small firm reporting (Q25) are exaggerated, could be made worse with voluntary reporting and can again be managed with proxy methods (Q20). Similarly the rising tide of legal challenges would not be curbed by abandoning the mandatory transition plan manifesto commitment, they would be increased. (Q27).

To curb perverse incentives for firms to stay (or switch to) private (a key factor in determining scope - Q24)), regulators should give serious consideration to raising the threshold at which public firms are required to produce climate and transition reports, whilst lowering the threshold at which private firms do so. Consideration could also be given to phasing in transition plan requirements. (Q26).

SECTION A: THE BENEFITS AND USE CASES OF TRANSITION PLANS

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

ShareAction agrees there are huge benefits to transition plans being incorporated into a company's reporting activities and the overall benefits a robust transition plan framework can have on the financial sector and the economy on the whole. **The private sector is already starting to mobilise investment to take advantage of opportunities, and protect themselves from risks associated with the net zero transition.** 70% of FTSE100 companies already have a standalone transition plan. However, approaches are inconsistent, and some large emitters have rolled back on pledges.

A lack of credibility and consistency between approaches is a major barrier to unlocking the full benefits of transition planning. This hinders the comparability and usability of existing plans especially for external users such as investors. The lack of regulation around approaches also gives rise to greenwash with 87% of investors believing that corporate reporting contains unsupported sustainability claims.

One of the significant challenges identified in ShareAction's research has been the lack of internal coherence within corporate sustainability strategies. This was highlighted as a particular concern for the banking sector. ShareAction found almost all banks are using climate scenarios to inform their decarbonisation targets—a critical mechanism for managing transition risk. However, their approach to opportunities, expressed in terms of sustainable finance targets, were almost never grounded in the same scenarios.¹ This asymmetry has significant implications for the wider economy. Smooth management of the transition relies on companies making an orderly shift from one business model to another. This requires long-term investments in the personnel, products, and insights to capture growth opportunities in a changed economic landscape. When firms employ diverging approaches to managing risk and cultivating opportunities, they are likely to reach a point where risks become acute but there is not enough invested in new sources of profitability. At this point, the firm will have to transition from one area of business without having another to replace it, imposing a cost on the business, rocking economic stability, and limiting the pace of transition.

The process of transition planning requires businesses to consider their strategy in its entirety, foregrounding to the firm itself and its stakeholders any potential inconsistencies in its approach. When conducted diligently and in line with the ambitions of the Paris Agreement, transition plans should push companies to show how investments in the future

¹ See [Mind the strategy gap: how disjointed climate targets are setting banks up to miss net-zero](#) (2024).

of the business are aligned with the urgency and scale of emerging risks. This process not only aids the company's own long-term plan for value creation, but enables investors, regulators, and other stakeholders to exercise effective oversight.

In our recent [response to the Bank of England's PRA consultation](#) on enhancing banks' and insurers' approaches to managing climate-related risks, we have also argued that, from a prudent and systemic risk perspective, UK financial supervisors would benefit from making use of financial institutions' transition plans in their supervision. The Bank of England, whose mandate encompasses financial stability, should, via the robust supervision of financial sector transition planning, seek to 'reduce financial institutions' contribution to negative environmental externalities because of the systemic financial risks that could result from them' (Inspire/SOAS/LSE 2022, p.6-7 especially). One way of ensuring a reduction of financial investments to harmful activities would be for financial firms to adopt robust climate goals, for example absolute emission reduction targets, via supervised and effectively enforced transition plans.

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

While transition plans are not applicable to our organisation in the sense that is discussed in this consultation question, ShareAction is very committed to ensuring it is playing its part in the transition. We believe we must strive to be as climate-conscious as possible when encouraging companies and institutions to do the same.

Within Scopes 1 and 2, we have made major reductions in energy usage, by using a climate conscious office space with 100% renewable electricity procured, smart thermostats and occupancy sensors, and recycled materials used for the building's fittings, for example. As far as possible, employees use train travel for work engagements. Additionally, this year we have introduced a green travel policy, which incentivises two extra days of annual leave if you are using a less carbon-intensive mode of transport, i.e. the train over air travel.

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)

ShareAction serves as a go-between for investors and the private sector (both companies and financial institutions). Our work centres on translating to investors how the activities of companies, banks, or asset managers, affect people and planet so that they can perform meaningful stewardship. To inform our engagement, both ShareAction and the investors we work with need a strong understanding of companies' strategies to transition to net-zero.

From working closely with asset managers and asset owner networks, ShareAction has received confirmation that transition plans are currently **a core priority for investors**. We receive regular feedback from investors we work with via annual feedback surveys, one-to-one engagement calls, and meetings with broader investor coalitions. Major pension funds, pension pools and asset managers based in the UK, as well as asset managers and pension funds in Europe, have consistently stated that companies and banks' transition plans are extremely important for their work as responsible investors.

However, at present, this information is often contained in disparate documents displayed in different formats, and lacking key details, making it challenging to deduce the effectiveness of a company's transition plan, or compare it to those of its peers.

This negatively impacts investors' ability to understand how banks and their clients will shift their business models, how well they are performing, or how aligned they are with the owners' own values or mission, which in turn limits investors' ability to steward companies effectively. ShareAction and investors would find it valuable for transition plans to include greater transparency, consistency and alignment with climate targets to allow for ease of analysis and comparison with peers.

Given the current lack of robust regulation, banks and their clients are free to create inadequate transition plans at their discretion. Investors have expressed concern to us that financial institutions are being too light touch when evaluating clients' transition plans. Banks often use transition plan assessments to justify their financing of hard-to-abate sectors, rather than to tackle fossil fuel phase out head-on by restricting finance for clients which aren't 1.5C-aligned.

As such, ShareAction and investors have consistently campaigned for banks to rule out financing for fossil fuel expansion explicitly, which the International Energy Agency (IEA) and other scientific bodies have agreed is incompatible with a 1.5C world.

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

The main challenge to transition plan implementation is the lack of standardisation and granularity of data. The aim should be to move towards a low cost of production and low cost of use that creates a high value for both issuers and users of the plans, achieved by international standardisation, and proportionate level of granularity.

ShareAction urges the Government to consider transition plans through a value, rather than cost-centric lens. Competitive pressures will naturally push firms to deliver transition planning at the lowest possible cost. However, this is not necessarily the approach to

transition planning that will generate the greatest value—either for the company, its stakeholders, or the broader economy. A bare minimum transition plan can be considered entirely as a cost, with zero value creation for any interested parties. Instead, robust transition planning requirements can give sustainability professionals and strategic planners within firms the leverage they need to undertake a detailed analysis that generates at least some benefits for their investment of time and resources.

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

Provisionally, it would be efficient to align the UK's policies with International Financial Reporting Standards (IFRS) S2, allowing pragmatism in where reporting is published (standalone vs integrated with annual report and accounts) and structure of reporting (not prescribing reporting to follow a single national sequence or hierarchy, whilst ensuring that the relevant items proposed by the TPT are covered). Providing mapping tools between different jurisdictions will help content to be readily repurposed between different markets.

However, IFRS has a focus on single financial materiality, omitting important disclosure items and maintaining a low bar for metrics and targets institutions should publish.

The UK should seek to contribute to ongoing global developments in transition planning, including development of further ISSB standards, championing the TPT disclosure standard and playing the same prominent global leadership role that it has generally played in other areas of financial regulation over recent years.

Global interoperability should remain the Government's priority, whilst seeking to establish further leadership on this agenda. UK-specific transition plan requirements should be additional to, but aligned with ISSB standards, supporting global alignment with commitments to the Paris Agreement, whilst also reflecting UK business priorities. ISSB has worked significantly on interoperability of its IFRS S1 and S2 standards with ESRS in the EU. This also means that requirements should be rolled out alongside ISSB requirements in the UK.

The TPT Disclosure Framework should be the mandatory disclosure framework for large private and listed companies. Although it is lauded by investors and essential for global interoperability, IFRS S2 does not specify what a transition plan should include; nor does it mandate disclosure of transition plans if entities don't have one, so a further framework is needed to ensure consistency. Mandating that disclosures are in line with the TPT Disclosure Framework will help drive towards global interoperability as similar requirements are brought in in other jurisdictions. Alongside cutting back complexity in reporting both domestically and for multinationals, this will ensure that disclosures are more usable and comparable for users.

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.

ShareAction would like to see the Government follow the TPT framework and see UK transition plans build on existing policy packages.

ShareAction would also encourage the Government to consider extending some elements of the TPT framework through the “building blocks” approach described elsewhere. While organisations gain familiarity with transition plans, this will align with the most decision-useful elements of transition planning identified in B1.9. For example, the TPT currently requires entities to disclose key assumptions that it has made and external factors on which it depends in order to achieve the strategic ambition of its transition plan. However, it does not require firms to articulate how they are using their resources and influence to increase the probability these assumptions and dependencies hold.

Without this requirement, it is easy for firms to abdicate responsibility for delivering large parts of their transition plan. Many companies have the capabilities to support technological development, consumer demand, data availability, and regulatory change. We regularly see firms cite policy as barrier to an orderly transition. Yet, they are far less forthcoming about the ongoing steps they are taking to work with policymakers on specific, actionable, proposals. It is reasonable to expect they take some responsibility for these factors, even if they are not solely responsible for the outcome.

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.

While S2 demonstrates that an entity must disclose the effects of climate-related risks and opportunities on its financial position and performance, along with the impacts of said risks and opportunities on the entity’s prospects, there is little outlined on the requirement for the company to ensure its strategy and outputs are aligned with a net zero transition. ‘How the entity plans to achieve any climate-related targets’ does not imply that the Government has expectations for the entity to take quantifiable action and to demonstrate changes made to contribute to the transition.

SRS outlines that an entity need not provide quantitative information about current risks or impacts related to climate change if it does not have the skills, capacity or resources. However, if the Government expects to be able to deliver on climate and manifesto commitments, it must expect companies to outline clear data on their exposure to climate-related risks and action taken to combat these risks and to minimise their exposure.

Additionally, SRS only covers the bare minimum in terms of expectations on climate disclosure, falling far short of the expectations that are outlined in the TPT.

SRS does not require detailed information on a company's capital expenditure plans, which is particularly valued by many investors, including its integration within a company's investment plans to help facilitate their transition plan. This lack of disclosure on capex alignment, and other areas that give an indication of the operationalising of plans, means that investors and wider stakeholders will have less confidence in the certainty of a company's efforts and strategy to transition. Given its high-level principles-based nature, S2 also lacks any clear and consistent template by which to disclose a plan.

Finally, in-depth disclosure on a company's assessment of 'impacts and dependencies' (e.g. government policy, technological assumptions, consumer preferences) is front and centre within the TPT, while the SRS and IFRS standards take a narrow view of climate risks and opportunities.

These are vital, decision-useful elements missing that are valued by the investment community and other stakeholders. Our strong view is that these areas represent material gaps in disclosure in terms of information flowing through the draft SRS S2.

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.

The draft S2 provides useful outlines on what entities should be reporting on transition activity and their adaptation measure. However, there is significant detail missing in the lack of ambition and development of strategy that is expected in order to meet international commitments on climate mitigation. For example, (4) '*the latest international agreement on climate change*' is an insufficient expectation on entities operating in the UK, where we are aligned with the Paris Agreement and must enforce alignment across the whole of the economy and outline those expectations for those who operate within the jurisdiction.

The TPT disclosure recommendations outline the clear expectation by asking for entities to disclose their strategic ambition in light of the decarbonisation trajectory of the global economy, relevant geographies, and/or sectors. Furthermore, the strategic ambition should

outline energy usage, phase-out of GHG-intensive assets and climate-related considerations in procurements, etc. These disclosures go further than the S2 asks and would be a good starting point for encouraging more forward-thinking decisions around investments in different sectors and planning for a transitioning economy.

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.

When considering the value of transition plans for use by a myriad of stakeholders, it is helpful to consider the guiding principles articulated by the TPT: ambition, action, and accountability. A plan that fulfils each of these three principles is decision-useful for the firm itself, and for external parties seeking to evaluate its transition strategy. We encourage the Government to establish mandated standards in the areas outlined below that prevent firms from cherry picking the parts of IFRS or TPT guidance they feel appropriate.

Ambition

It is incumbent on firms to identify their assumptions in the course of risk and opportunity analysis, to demonstrate robust testing of these assumptions, and to apply a precautionary principle. Climate change is characterised by heavy-tailed risks and tipping points, which render many existing models insufficient.² This applies not only to risk, but also to opportunities.³

The value of firms' analysis of risks and opportunities is further determined by sectoral and geographic granularity. Transition plans can provide considerable value to both regulators and other stakeholders when it comes to understanding these risks. In practice, while we have seen considerable engagement with sectoral transitions in existing plans, geographic segmentation of risks, opportunities, and actions are less forthcoming.

Action

Risk and opportunity analysis in isolation offers limited value to stakeholders, hence the importance of the second guiding principle. The analysis conducted by the firm should flow directly into two broad types of actions:

- To set a series of policies and redlines: activities the firm will cease to conduct or support. A clear statement from the firm that these activities have no place in its business models is a fundamental guarantor to stakeholders that it is serious about its transition.
- Setting plans, processes, and targets to shift the firm's business model in an orderly manner. In ShareAction's experience, internal inconsistencies between different targets set by a firm make it difficult to adequately understand the company's strategy and its implications. Our analysis of targets set by Europe's largest banks found a repeated divergence in how banks approach their decarbonisation and sustainable finance targets. While 95% of decarbonisation targets were grounded in climate scenarios, just 3% of sustainable finance targets were similarly aligned. To help mitigate the danger that risk and opportunity strategies diverge, the Government should consider mandatory standards based on TPT 4.1(c), 4.2(c), and 4.3(l) which explicitly recommend firms explain how their targets align with transition pathways and take account of international climate agreements.

In addition to policies and targets, a further action-orientated area of transition plans that offers considerable value to stakeholders is the disclosure of dependencies. This disclosure is already critical to the way IFRS S2 frames firms' transition planning responsibilities. IFRS S2 not only calls for the disclosure of transition plans in 14(a)(iii), but states immediately after that a firm should include "information about key assumptions used in developing its transitions plan, and dependencies on which the entity's transition plan relies". IFRS guidance goes further, suggesting a firm detail "how it has taken these dependencies into account in its strategic goal, including how they might have resulted in changes to its objectives and priorities."⁴ This implies action by the firm to address these dependencies, rather than allowing their transition plan stand or fall on the basis of external factors. This is fundamental to the TPT's description of strategic thinking, which includes "the entity's ambitions and actions to use the levers and capabilities it has available to embed and accelerate s transition to a low-GHG emissions and climate-resilient economy."⁵ Unfortunately, at present, we see many firms using dependencies as a means of abdicating responsibility, presenting them as external factors that are wholly out of their control, rather than issues they can influence in coalition with peers, partners, and government.

⁴ [Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2](#) (2025), p.22.

⁵ [Transition Plan Taskforce Disclosure Framework](#) (2023), p.17.

Accountability

Underpinning the ambition and actions implied by a firm's transition plan should be a robust system of accountability. This is valuable to stakeholders in so far as it illustrates the institutionalisation of the transition plan's objectives. As such, we expect to see detailed coverage of roles and responsibilities in delivering the transition plan, including the incentives in place to ensure these are treated in the same manner as commercial imperatives.

To assess a firm's transition plan, stakeholders also need to understand how it is performing against its objectives and what is driving that performance. While firms generally report their progress against climate targets on an annual basis, few quantify the contributing factors. ShareAction research from last year showed just 3% of financed emission targets set by Europe's largest banks are accompanied by a full quantitative breakdown of the key drivers influencing performance.⁶ This information is critical. It helps stakeholders determine what works and what doesn't work for the implementation of the firm's transition strategy—an assessment that can then be compared with the firm's choice of priorities. Given the importance of this information for stakeholders to make informed decisions about their engagement with a firm, the Government should consider longer-term disclosure requirements expanding on the TPT's recommendation 4.3(k)(ii) that firms provide “an analysis of trends or changes in the entity's performance.”

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 (comply and explain) for the following reasons:

- a. No firm is immune from the effects of climate change or from the steps taken by signatories to the Paris Agreement to take actions to limit the worst effects of climate change. No firm appears to have sound financial grounds for declining to plan for the national and global shift to a low carbon economy, or for declining to document this in a light-touch way.
- b. No firm is exempt from the need to take steps to mitigate their impact on the climate crisis. They will need to make considered, long-term and accountable choices about how they use land, how they generate and use heat, and how they transport goods and people.
- c. The burdens of transition plans are overstated: the additional burdens of transition plan production and reporting, compared with existing TCFD disclosures, are negligible, and – depending on how they are implemented – could contribute to meeting the

⁶ See [Mind the strategy gap: how disjointed climate targets are setting banks up to miss net-zero](#) (2024).

Government's target outlined to reduce regulatory costs by a quarter. Transition plans will replace a duty to describe the targets used by the company to manage climate-related risks with a duty to set Paris-aligned targets to manage those risks. In turn, the associated TCFD infrastructure of governance, strategy and risk management, with reporting on each could be repurposed to set out organisations' use of these processes to meet their targets, rather than simply manage the risks.

While TCFD requires firms to plan for and report on multiple scenarios (often with very limited and systematically flawed tools – see Q22), transition plans can be deployed to provide certainty against one scenario, removing the false allure of 3 and 4 degree scenarios and reducing burdens.

- d. The burdens of producing transition plans decline with decreasing company size: complexity in non-financial reporting builds as firms work across borders and draw information from firms operating under different regulatory environment. But smaller UK listed companies (and we anticipate smaller UK private companies) have much lower international exposure than larger companies. For members of the FTSE250, 43% of revenue is from UK customers, compared with just 24% for members of the FTSE100. Smaller companies earn just 10% of revenue from the US, where we anticipate progress on emissions reporting to be particularly challenging, whilst the 100 largest companies earn 27% from there.⁷
- e. Without mandatory transition plans, the burdens for firms will not disappear and will be greater for every unit of benefit. Companies will still produce transition plans voluntarily or on a comply or explain basis, which will inevitably lead in time to piecemeal and non-standardised plans – because where firms can explain that they will not produce a comprehensive plan, why ban them from producing a partial one in a unique template? This will lead to a proliferation of inconsistent and incoherent demands for data up the supply chain, creating an unnecessary industry to bridge the lack of interoperability whilst producing plans which are less useful for investors.
- f. The ability to opt out also ruins comparability and aggregation for the rest of the investment chain. Were the Government was to be dissuaded of the points above and to opt for comply or explain, financial firms and pension schemes would no longer be able to provide downstream comprehensive plans for their own transition. No data company would be able to provide a transition plan for any UK index, whether FTSE100, FTSE250 or any tilted or thematic index. It would be hard, in the absence of such data provision,

⁷ All data from [Rotation into FTSE 250 shows confidence on a UK recovery | LSEG](#)

to see how the UK could then be said to “lead the world in sustainable finance” or be “delivering a world-leading green finance regulatory framework.”⁸

- g. Based on our engagement with the banking sector, any regulatory regime which incorporated an “explain” element would be extremely difficult to consistently define. There has been significant divergence on what banks consider material and not material for reporting. ShareAction research on decarbonisation target setting in the banking sector also shows virtually none of Europe's major banks provide a quantitative definition for what is and is not considered a material sector for their climate strategy. We expect this would be replicated under a comply and explain regime for transition planning – firms need a mandatory approach, and to allow their investors to make a determination on materiality.
- h. Consistent provision of transition plans is critical for effective prudential oversight of the financial system. In its detailed research on the use-value of transition plans for regulators, the Financial Stability Board notes, “to be a useful source of information for all stakeholders, transition plans must provide a reliable and reasonably stable source of information.” Indeed, “aggregation, especially of quantitative information, would presuppose standardised methodologies for calculating or, at the very least, a certain number of common harmonized data.”⁹ Any savings for firms from loosening transition plan standards would significantly compromise the ability of regulators to use this data.
- i. Comply or explain dilutes every other policy lever in the transition plan framework. If the Government opted for comply or explain over mandatory compliance, every other plank in the regulatory framework would weaken. If firms can simply walk away from complying by explaining, it becomes attractive to policymakers to weaken target alignment, implementation, adaptation and nature to ensure “enough” (however defined) firms still choose to comply. ShareAction urges a “building blocks” approach, starting with the essential mandatory “smart” Paris alignment which gives investors a rounded view, building out over time, as approaches become standardised and company capacity is built.

An illustration of point i above is provided by the draft supervisory guidelines on banks’ and insurers’ management of climate related risks, following consultation **CP10/25**. The PRA does not plan to require firms to adopt climate goals, but instead require that ‘where a firm adopts [climate] goals or targets, the firm should be able to demonstrate, upon request, how

⁸ [Financing Growth: Labour's plan for financial services – The Labour Party](#)

⁹ [The relevance of transition plans for financial stability](#) (2025), p.20-21

its plan to meet those goals and targets, including the assumptions underpinning these plans, are integrated into a firm's overall strategy'.

As long as there are no requirements for *all* banks and insurers to develop and implement a transition plan with clear climate goals or targets, the risk is that a proposed requirement which is only applicable to those who *voluntarily* adopt climate goals) has a chilling effect. Firms would understandably be less willing to adopt climate goals and disclose them for fear of falling short of adequately integrating them into their overall strategy, and hence failing to meet the supervisory expectations of the PRA. This demonstrates the need for a level playing field across all firms, and for robust mandatory transition plans for all large institutions.

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

ShareAction supports this option, for the reasons set out in our response to Q10 – it will be fairer, more comprehensive and therefore more effective, whilst also being lower burden.

The TPT said that it “regards it as good practice that entities also prepare a standalone transition plan which is periodically updated and in which entities may choose to include additional information”. However, this did not form a core disclosure element.

We do not see any immediate benefit to being prescriptive about the frequency of which transition plans should be published separately from their annual report (required by chapter 4 of Part 15 of the Companies Act 2006) or from their strategic report (required by Chapter 4A).

For publishing separately, there are arguably both benefits: internal coherence and prominence; and drawbacks: the loss of integration and re-duplication with other reporting, and the risk of lower visibility.

We believe it would be reasonable for the Government to prescribe that the transition plan is clearly marked and signposted, and contains the disclosure elements recommended by the TPT, but not to be prescriptive over whether it should or should not form part of the annual report and accounts, or the strategic report each year - as long as it is reviewed, and where necessary updated, each year.

This would support Government's goal to reduce regulatory burdens, by allowing firms to de-duplicate data reporting, such as greenhouse emissions. But it will not tie the hands of organisations which would prefer to publish separately.

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.

This question falls away if entities are able to publish transition plans alongside their strategic report in a single document, as we recommend in our response to Q11.

A section of the composite document should need to be clearly marked as a transition plan, but there ought to be nothing to prevent entities from clearly pointing to the strategic report section of the overarching document where – for example – emissions data is consolidated.

Were Government to choose to do so, it could go further and subsume TCFD (S1 and S2) reporting into transition plan reporting. Rather than prescribe, for instance, that entities should provide a TCFD “description of the company’s governance arrangements in relation to assessing and managing climate-related risks and opportunities” (section 414CB(2A)(a) of the Companies Act – implicitly covering climate-related risks across multiple scenarios and eventual temperature rises), entities could instead offer transition plan related “information about the governance body(s) ... or individual(s) responsible for oversight of the transition plan” (5.1 of the TPT’s disclosures) and “information about management’s role in the governance processes, controls, and “procedures used to monitor, manage, and oversee the transition plan, as well as how it is embedded within the entity’s wider control, review, and accountability mechanisms” (5.2) covering a Paris-aligned scenario.

A focus on one scenario – well below 2 degrees on pre-industrial levels has the potential to deliver significant reductions in business burdens without reducing the quality or decision-usefulness of assessments, or of the disclosures made to investors.

However, this simplification or rationalisation would only make sense if Government chose to require Paris-aligned transition plans. If entities were able to opt out of TCFD reporting by producing weak transition plans which aligned with any decarbonisation pathway of their choosing, including trajectories which were insufficient to meet the Paris Agreement, government would have punched a huge hole into existing climate reporting without producing anything more effective.

PENSION FUNDS

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

We recommend that subject to consultation, transition plans should be integrated with the existing TCFD requirements. The Department for Work and Pensions (DWP) legislated for TCFD reports which were separate from scheme annual reports and accounts in response to stakeholder feedback (see [August 2020 consultation](#), page 78) and this approach received broad support (see [January 2021 consultation](#), page 104, 106). We anticipate that many pension schemes would favour an approach which allowed them to integrate their transition plans and gain the benefit of reporting emissions metrics etc once, rather than in two separate climate reports. However, this should be tested at consultation. As we set out in our response to Q11, there are also benefits in taking a less prescriptive approach to where plans are published, and allowing schemes to choose between separate climate reporting or integrating this into their annual report and accounts.

As with our response to Q12, if there were robust transition plan requirements (mandatory, and Paris Agreement aligned) it may be justifiable to subsume TCFD reports into these¹⁰. As we explain in response to Q22, pension schemes and other financial actors have had particularly unhappy experiences with efforts to model temperature rises of above 2°C, making disastrous climate scenarios look superficially appealing from the point of view of investment outcomes. Whilst qualitative scenario models are now available, these are not necessarily decision-useful either. It would be preferable to mandate net zero trajectories for pension schemes and progress from the worse-than-useless integrated assessment models.

It is also essential that when the detail of transition planning is agreed for companies and investment managers, this should apply to occupational and personal pension schemes with effect from the same date. Trustees and providers should not be able to hide behind an argument that savers are not engaged, or as non-professional investors, should not receive the reporting which will be applicable to the rest of the investment chain.

Rather, we would advocate for a strengthening of member-focused communications.

DWP made welcome steps in this direction with statutory guidance which said that “schemes should include a plain English summary which... allows [savers] to become easily acquainted with the key findings from the report.”¹¹ Some schemes have produced helpful

¹⁰ However, DWP should also give attention to the large number of derisking or derisked defined benefit schemes which have a limited lifespan (if they are entering buy-out) or are proposing to run off with a tightly-controlled set of assets (gilts and derivatives) where greenhouse gas emissions are less meaningful and/or impossible to calculate. It may be more appropriate for such schemes to remain on a light touch TCFD platform, without mandatory decarbonisation targets.

¹¹ [Governance and reporting of climate change risk: guidance for trustees of occupational schemes](#) – page 8

reports (see, for instance, [The People's Pension](#) and [Universities Superannuation Scheme](#)). However, this statutory guidance, with which schemes are required to comply or explain, does not appear to have been universally complied with. Some of the largest DC master trusts appear not to have produced such summaries.

Furthermore, because schemes have had absolute discretion about the information they incorporate and how it is presented, it is difficult for savers to make effective comparisons between the performance of the multiple schemes with which they are likely to be invested.

We would recommend DWP work with industry and member-facing organisations to develop a core set of data items which schemes should produce for their transition plans and – if these are retained – their TCFD reporting. This could include 2050 targets, all interim targets by scope, and current emissions by scope across the whole default fund, alongside historic performance (which will be recent performance, given the historic lack of such data) against these targets.

In particular, emissions reporting should not be arbitrarily disaggregated by asset class, which makes comparison much more difficult for ordinary savers – in spite of practice by some schemes, most emissions data can be aggregated across equity, bonds and property, with only sovereign bond emissions being attributed in a way which makes it impossible to aggregate. This level of aggregation gives a much clearer picture of the extent to which schemes have been successful in transitioning their portfolio than asset-class by asset-class reporting.

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?

ShareAction has not carried out research on pension scheme transition plans, although we are always willing to support the Government with funded research programmes.

We anticipate that whilst only a small number of schemes producing explicit transition plans, a significant number of others will be producing TCFD reports which share very similar characteristics to the recommendations of the TPT. This would be where the scheme has set a net zero target, together with interim absolute emissions or emissions intensity targets that reflect a Paris-aligned decarbonisation trajectory. However it is important to emphasise that there is no *requirement* for schemes to produce such plans. DWP regulations and statutory guidance do not prescribe or set any expectations of particular emissions targets, or of timescales of longer than 10 years. This also means that schemes are free to unwind such targets at any point – which will be a significant risk later this decade as many schemes' decarbonisation plans are mostly predicated on the wholesale decarbonisation of the wider economy which is not happening at the pace anticipated around COP26.

In summary, any net zero plans are quite different from mandatory Paris-aligned transition plans. It would therefore be quite wrong to conclude that because a number of schemes are producing voluntary TCFD reports which look something like transition plans, it is not necessary to mandate them. Mandating Paris-aligned transition plans by occupational, as well as personal, pension schemes is essential to ensure that the whole investment chain contributes to an economy-wide transition, and to give pension savers “a whole of portfolio” view across all the pension pots they will typically build up over a lifetime.

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.

Certain elements of transition plans will already be required under securities and misrepresentation legislation – for example if directors were to state falsely that governance and risk management arrangements were in place.

However, in relation to meeting transition plan emission reductions, we would advocate – as part of our recommended “building blocks” approach – that Government does not mandate, but instead monitors implementation, regularly reviewing the need for additional measures to ensure entities act on their plans.

In relation to emissions targets, it appears hard on the face of it to determine how an independent regulator could realistically hold hundreds of private companies to account on their failure to deliver against plans. In practice it would be burdensome for any supervisory body to reliably determine whether this was a consequence of uncertainties and dependencies, underinvestment or simply a change in strategy (since in practice directors and CEOs of firms are not currently legally prevented from reversing earlier reported investment or strategy decisions).

However, transition plans can be an important source of information in the “feedback loop” of progress on an orderly economy-wide transition. Government and regulators could use big data and AI to assess reports and develop these feedback loops, identifying disclosure trends, ensuring that transition plans are working as expected to achieve climate goals (e.g. through their use in investment decisions), and informing where policy is advancing or becoming an emerging barrier to action.

This “building blocks” approach, of testing, monitoring and learning ought to secure real world emissions reductions by the mid-to-late 2020s. In contrast, a regulatory model which sought to sift through and attribute cause to firms going off track on future -facing plans

which might have been made for very different circumstances or expectations, is likely to become occupied with development and fail to deliver on the timescales we need.

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?

In practice, however flawed shareholder oversight currently is, the ability or inability of firms to make persuasive explanations to investors for going off track will be the most immediate way of holding firms to account.

Government monitoring should include engagement with the finance industry, real economy firms and civil society to measure how well these market-based mechanisms are working and whether further measures could be readily layered over the existing framework to promote action.

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

However, this market-led approach will of course need to be accompanied by the realisation that schemes are under no moral or fiduciary obligation to stay invested in firms which are not managing climate risk effectively and have no funded decarbonisation model.

Government should not assume that investor voting and engagement alone will deliver the transition. Rather than a duty to remain invested at all costs, asset owners and their intermediaries have a duty to protect their clients' and beneficiaries' investments by exiting from firms which are destroying long-term shareholder value, depriving these entities of new capital to invest in further damage to investors' wider portfolios.

Government needs to acknowledge publicly that the threat of exit provides the teeth to ensure that companies are delivering upon their plans, and that divestment is a key part of the transition to a zero carbon economy.

SECTION B3: ALIGNING TRANSITION PLANS TO NET ZERO BY 2050

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

In jurisdictions where governments are signatories to the Paris agreement and are taking the necessary policy steps to meet their commitments, we will see mandatory alignment with the Paris Agreement via transition plans as indisputable. We must all make efforts to hold

the increase in the global average temperature to well below 2°C above pre-industrial levels, and pursue efforts to limit the temperature increase to 1.5°C above.

If companies are able to retain less ambitious targets in respect of their scope 1, 2 and 3 emissions within these markets, they would be effectively declaring their intention to break the law if they were unsuccessful in changing it. Firms are free to lobby against legislation, but it would appear indefensible to produce long-term plans which presuppose that they would be successful in unwinding them.

The UK's 2050 target and interim target setting approach set out in the Climate Change Act are aligned with the Paris Agreement. Where policy action has not been sufficient to meet these decarbonisation objectives, action by the courts has ensured that Government take the necessary action to get back on track.

In other markets, governments have committed to the Paris agreement but have not taken the necessary steps. The ability to hold some governments to account for delivery in the way that the UK has been may until now have been limited, or currently untested. However the [International Court of Justice](#) has indicated that all parties to the UN Framework Convention of Climate Change have legal obligations, with the result that the legality of countries diverging from the temperature goals have been called into question, and certain policies to support large-scale emissions, such as fossil fuel subsidies, may be incompatible with international law. Litigation against governments to apply the principles of the ICJ ruling would materially impact UK firms operating in these countries. It is therefore prudent for UK firms to align their commitments with the policy of the UK government and the principles of international law.

Finally, some jurisdictions have withdrawn from the Paris agreement altogether and are hostile to climate action. Here there will be greater challenges.

Simply excluding non-UK emissions from transition plans would be a mistake on four counts.

1. Almost 85% of the global economy in purchasing power parity terms *is* signed up to the Paris Agreement (only the US, Iran, Yemen and Libya have either withdrawn from or not ratified the agreement).
2. Countries which are not signed up will not always be non-signatories (some signatories might also become non-signatories), and countries which are behind on the agreement will catch up (whilst countries currently meeting their commitments might fall behind).
3. Any suggestion that Government should pre-emptively limit transition plan scope to the UK, or to jurisdictions which were on track with the Paris agreement would be incentivising firms to exit markets which were meeting their commitments for countries which were flouting them.
4. A system of transition plans where firms adopted diverging temperature goals would make it difficult for financial regulators to use transition planning for macroprudential

purposes. As the Financial Stability Board points out, transition plans can help regulators understand “the type of transition the economy is heading towards” and spot “risks deriving from the misalignment between financial sector and real economy transition.”¹² However, to achieve this regulators would of course need the plans to speak to a consistent scenario.

5. The Government should require firms to set out clearly the areas where policy and action by other actors is required to meet the Paris ambition, expected changes in the real economy, and the levers the company is using to influence those constraints and dependencies. These inclusions will together show the plan’s degree of alignment to Paris Agreement goals and the level of alignment the company can achieve through its own action.

In subsequent years, the company’s transition plan update can look back to assess performance and identify any specific blockages or constraints that may have held back progress. Such an approach continues to galvanise government and industry around common, scientifically robust goals, while recognising the interdependencies a single company faces in achieving full alignment. This flexible approach allows Government and industry to respond continually to changing technological and global circumstances, undertake peer learning from other firms’ disclosures and develop and share best practice.

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

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

We answer Qs 18 and 19 together.

ShareAction recognises the desirability for Paris-aligned targets to reflect sector-specific trajectories. Both the [Science-Based Target Initiative \(SBTI\)](#) and the [Transition Pathway Initiative \(TPI\)](#) take account of sector level differences and the greater immediate ease in decarbonising some sectors (e.g. electricity generation, surface transport) than others (aviation, cement).

The challenges can be managed as per the above, with slower transitions in the first instance as technologies improve. In the same way as certain jurisdictions impede decarbonisation through policy barriers, which firms can report on and explain how – where appropriate –

¹² [The relevance of transition plans for financial stability](#) (2025), p.15.

they are tackling them, similar approaches are also available where there are technological hurdles.

Government could legislate for such sectors by simply requiring that entities use a “reasonable method” to determine emissions targets which, when carried out by other entities operating in the same sector, and accompanied by entities in other sectors using their own reasonable methods, would be likely to keep the average rise in temperatures to well below 2 degrees.

Government could endorse certain trajectories or developers of such trajectories as being “reasonable methods” in statutory guidance, which could then be updated as new trajectories or developers emerge or in the event that existing trajectories become unsuitable. But it would not be necessary to put every sector trajectory onto a statutory footing - companies which sought to give themselves easier or exceptional trajectories would be required to make their trajectories stand up as reasonable in the face of challenge by shareholders and litigants.

This risk can also be reduced by moves to improve the accuracy of information in the market, including via the government’s welcome consultation on how it can grow the UK sustainability assurance market in the UK, and ongoing work to build credibility in the ESG ratings ecosystem.

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

Where firms operate in countries which have made more limited progress in climate mitigation, progress in meeting climate targets will be slower, but the firms still have agency to help, or at least not harm, the acceleration of climate action in these markets.

We outlined the suggested approach in such countries in our response to Q17, setting out clearly the areas where government policy and action by other actors is required to meet the Paris ambition, expected changes in the real economy, and the levers the company is using to influence those constraints and dependencies. These inclusions will together show the plan’s degree of alignment to Paris Agreement goals and the level of alignment the company can achieve through its own action.

Additionally, there will also be data quality issues from the upstream or downstream companies in the least developed markets. But methodologies have long been available to help address such challenges, including physical activity-based methodologies, where primary physical activity data is collected from the supplier (e.g., megawatt-hours consumed, tonnes produced) and emissions estimated an appropriate emission factor; and even economic activity-based methodologies, where emissions are estimated based on economic activity data (e.g. £ of trade) and acknowledged environmentally extended input-output (EEIO) tables.

The need for advanced transition planning and target setting is arguably stronger in international jurisdictions such as Emerging Markets and Developing Countries (EMDEs). In these regions, a firm may need to build the data infrastructure required to effectively monitor risks and opportunities. Alternatively, it may need to invest in a network of partners to tackle shared issues or establish the institutional capacity to effectively manage an orderly transition. This can only be done through a concerted planning process that purposively mobilises the firm's expertise and resources.

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?

ShareAction supports greater consideration of climate adaptation by entities, in particular the incorporation of the resilience and adaptation-related elements of the TPT taskforce – namely 1.1a.ii, 1.3a.x, 2.3a.v, 2.4c,

However, although every firm can take some actions to limit its climate impact, many of the challenges of climate adaptation – flood defences, water and heat stress, forced migration and so on – have collective solutions, and are therefore at risk of less decision-useful “boilerplate” disclosures.

Furthermore, if additional adaptation requirements are added to transition plans there is a risk of muddying the waters with existing TCFD reporting. If Government is persuaded by our proposals to retain mandatory ambitious Paris-aligned transition plans to indicate how firms will reduce emissions, the remaining role for climate reporting in line with the TCFD recommendations is to explain organisations’ risk management – in the example of Companies Act reporting, describing “the principal climate-related risks and opportunities arising in connection with the company’s operations ... the actual and potential impacts of the principal climate-related risks and opportunities on the company’s business model and strategy; [and] an analysis of the resilience of the company’s business model and strategy, taking into consideration different climate-related scenarios”.

We would therefore encourage Government not to itself inadvertently introduce duplicative adaptation-related requirements which would make new transition plan-related duties harder to implement within the envelope of the Prime Minister’s commitment to reduce business regulation by 20%. Instead the focus might more usefully be on sharpening up existing requirements to make them more concrete for reporting entities and more useful for investors.

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?

Although it should not be encouraged for firms to think that 4-degree scenarios are limits we are aiming to be within for rising global temperatures rather than 1.5 degrees, it is worth noting that such scenario analysis is useful to show why mitigation is imperative.

ShareAction welcomes the added clarity on embedding climate scenario analysis (CSA) into governance, metrics, disclosure and capital planning, and the call for a wider use of reverse

stress testing. We also agree with the PRA's recognition that there are inherent data limitations and uncertainty which firms should clearly communicate when presenting their CSA results.

However, to avoid systemic under-preparedness, the PRA should:

- Consider explicitly extreme 'hot house', high temperature (> 3°C) and disordered, delayed transition trajectories. Currently, the PRA relies heavily on NGFS-type economic models, which have limitations (see [NGFS & FSB](#), November 2022; or [ECB Climate Risk Stress Test](#), 2022). They underestimate long-term economic losses, particularly in high temperature, disordered or delayed transition pathways. As the Institute and Faculty of Actuaries (IFoA) and University of Exeter recently [highlighted](#), existing economic damage models (e.g. 2% loss for a 3°C rise) could be dangerously misleading and insufficient in capturing tail risks and tipping-point dynamics.
- Anchor CSA in scientific evidence and precautionary principles. There is currently insufficient linkage between climate science and scenario design, and the PRA could more explicitly require embedding scientific consensus (e.g. IPCC physical risk pathways) qualitatively into CSA design and explicitly require firms to assume worstcase tipping points or catastrophic outcomes in CSA.

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?

Nature-related risks will be financially material for many companies. We support the inclusion of the recommendations on nature in the Transition Plan Taskforce's recommendations, including at 1.1b, 2.3a, 4.3m, 4.4e and 4.4f.

We are also supportive of the steps outlined in the consultation, including considering the integration of nature transition disclosure frameworks, supporting the development of market-led 'nature positive' sectoral pathways and introducing support for solving nature-related data gaps.

However, none of these steps should delay the introduction of mandatory Paris-aligned smart transition plan to which are urgent and necessary to maintain rapid rates of decarbonisation through the latter half of the 2020s.

Government should signal that companies should build their capabilities to incorporate relevant nature-related risks and opportunities into their transition plan over time. This could be done through reference to the Taskforce for Nature-related Financial Disclosures

(TNFD) guidance on nature transition planning once finalised. The TNFD planning guidance builds on current market practice, including the same five-element structure used by TPT and GFANZ.

However, under the same “building blocks”/“test and learn” approach advocated elsewhere, we would not suggest delaying the immediate rollout of transition plans in order to incorporate nature reporting over and above the existing TPT recommendations. These measures can be added on over time, learning both from producer and user practice on new and existing mandatory disclosures and experience from firms voluntarily going further and incorporating TNFD, nature positive pathways and the plugging of data gaps.

Agile policymaking, which learns by doing and iteratively adds and updates requirements as capacity, practice and data improve over time, will be a more successful approach than a much longer and more roundabout journey to one big bang that seeks to solve all the problems at once.

SECTION B6: SCOPE

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

The factors we suggest that the Government include are:

- The benefits to investors
- The wider public interest benefits: reducing large-scale climate impacts by speeding up the transition to net zero
- Benefits to supervisors and other regulators
- Financial stability: as our economies transition, financial institutions and companies that continue to conduct business as usual will increasingly face growing physical, transition, reputational, litigation risks. In the case of systemic financial institutions such as large banks, insurers and pension funds, the materialisation of transition risks (e.g. assets becoming stranded) could translate into significant losses. Given the interconnectedness and endogenous nature of financial and especially capital markets, such losses could in turn endanger financial stability at large (potentially requiring bailouts, at the expense of government’s finances i.e. taxpayers, as we saw in the last financial crisis).
- The benefits generated for preparers of transition plans and their stakeholders, relative to the investment required for the transition planning process
- The need to limit and reduce disparities between listed and unlisted companies, which currently act to reduce incentives to list – which in turn raises the cost of investment and reduces market efficiency.

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?

Whilst we agree that government should ensure future transition plans requirements do not have a disproportionate impact on smaller companies in the wider economy, the argument that providing data down the supply chain will be burdensome for smaller companies appears somewhat exaggerated. There are also a range of mitigations.

A real economy firm's transition plan is not an aggregate or weighted average of the smaller companies in its supply chain. It has the power to set terms, switch suppliers and move away from high emission inputs altogether. Transition plans would simply give entities an impetus to do these things in order to support an orderly transition and to capture the opportunities from the global net zero transition. This would be nothing out of the ordinary. Firms routinely make demands of their supply chain in relation to product and service specifications, turnaround times, volumes and pricing. There is no reason why demands in relation to managing the climate crisis should be different.

The only data which reporting firms might realistically need from their supply chain to complete the transition plan disclosures recommended by the TPT are their operational GHGs, for the purposes of the scope 3 emissions reporting.

To comply with data requests the supplier simply needs to know the number of products it produced in a specific line, and the energy usage associated with the products (multiplied by widely available emissions intensity figures for that type of energy use). In effect, it would be requiring firms to know their sales and to read their energy meters.

Whilst the volume of disclosures could increase under mandatory transition planning, the burdens of doing so should be reduced. This is because, as our response to Q10 (e) indicates, current transition plan data requests are non-standardised and will remain so without adoption of a standardised framework.

In contrast, with a move to mandatory, standardised disclosure frameworks for SMEs, such as the TPT's SME Advisory Group chaired by Bankers for Net Zero and the resulting Project Perseus will gain widespread momentum and more uniform adoption.

Government could also manage the 'trickle down' impacts from larger to smaller companies by setting an advisory "value chain cap" in guidance that manages the expectations reporting firms have of the smallest companies. This could also be set higher in the first year of reporting and significantly lowered in subsequent years. However, a value chain cap which is set too high would make transition plans much less decision-useful for investors or firms themselves, and could even risk inadvertently excluding SMEs from access to private finance or procurement contracts where provision of such data becomes expected.

We know that many SMEs already face competing requests for information- a single set of standardised, consistent information offered through mandatory transition plan requirements could offer important benefits for companies by helping to alleviate the reporting burden, and for the environment, given that SMEs are responsible for approximately 50% of UK greenhouse gas emissions¹³.

The adoption of good-quality data reporting by SMEs would also ensure that they are responding to the transition and are positioning themselves to capture new market opportunities as the world shifts towards a net-zero economy.

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

There are two ways the Government could protect the competitiveness of the UK's public markets. First, by lowering the reporting barriers to listing (so growing firms are not immediately clobbered with extensive disclosure requirements on listing) and second, by keeping reporting duties on UK private firms broadly on a par with those applicable to UK listed firms.

Current UK climate reporting requirements do not meet either goal.

- FCA rules require all standard and premium listed real economy issuers of shares, excluding shell companies to make TCFD disclosures (investment entities such as investment trusts are subject to the same rules as asset managers). As an illustration the smallest companies in the FTSE350 have a valuation of around £300m, and there are many considerably smaller firms in the index.
- Companies Act TCFD legislation, by contrast, applies only to firms with a turnover of £500m+ and more than 500 staff.

The [ONS estimate a net profit rate of 10%](#), whilst the latest [estimate](#) of P/E ratio for UK listed firms is around 17.

Therefore, private companies making a profit of just under £50m are currently excluded from climate reporting, whilst firms at the bottom of the FTSE350 that make operating profits of £20m are required to make disclosures, despite being significantly smaller. If government and regulators wished to protect the competitiveness of the UK market it could therefore undertake two measures:

- Lifting transition plan requirements (and potentially TCFD requirements) from firms with a valuation of less than £300m) – this would apply to around 200 firms, including investment firms.

¹³ [Smaller businesses and the transition to net zero | British Business Bank](#)

- Lowering the turnover threshold for private companies from £500m to £150-200m.

Government should also remove the staffing qualification. Firms with £150-200m turnover have the capacity to produce transition plans whether they employ 1,000 staff on the minimum wage or 100 staff on very high wages and still have the potential for high process or supply chain emissions. This should also help to address the issue raised early with voluntary reporting, under which smaller entities are asked many times to provide plans or information, in many different ways.

A final measure to which Government should give consideration is phasing in the introduction of transition plan reporting. Beginning with firms with a valuation of say £4bn – roughly corresponding to the bottom of the FTSE100 - and then subsequently extending this to £1bn the following year and £300m the year would allow smaller firms time to prepare by learning from larger peers working in the same or related sectors. Although this would capture 100-120 new listed companies each year, the size of the largest UK-listed firms means that transition plan creation and reporting would still be front-loaded - around 70% of the UK market by value would report in year 1.

Similar phasing could apply to unlisted firms, using turnover rather than market cap as a threshold.

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?

ShareAction supports transition plans as a means of businesses avoiding climate litigation or legal proceedings in the future. Firms should consider the legal implications of failing to prepare for a changing climate and taking action to mitigate the impacts. Not only are companies being reprimanded for their failure to curb emissions and comply with international targets which has detrimental effects on local environments, but companies will face litigation for failure to avoid huge financial risks too.

Legal experts point to the rising tide of climate litigation worldwide, with more than [2,500 cases filed across 65 jurisdictions](#), noting that courts are increasingly scrutinising the gap between what companies say and what they do and seeking to hold companies to account for climate inaction. Experts have also warned about the significant under-estimation of legal risk associated with mismanagement of the transition, which may lead to litigation from shareholders following climate-related damage to the business.¹⁴

¹⁴ See [Banks and climate litigation risk: navigating the low-carbon transition](#) (2025)

[Research](#) highlights a major credibility challenge in UK-listed companies: it found that 80% have made net zero pledges and only 5% had published detailed, actionable transition plans to support them.

Legal experts believe that mandating transition plan disclosure would address the disconnect between what companies say they're doing and the reality of inaction, improve market integrity, and level the playing field – helping to distinguish pledges backed by credible plans from greenwashing.

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?

ShareAction would support mandatory transition plans and a robust regulatory framework. It would be beneficial to reflect these legal requirements in the Company's Act 2006, or a similar mechanism to ensure entities' reporting on transition plans is taken as seriously as compliance with other aspects of company law. [Legal experts](#) emphasise that the benefits of transition planning go beyond compliance. Going through the process of developing and disclosing a clear, actionable transition strategy helps companies identify and manage climate risk, identify business opportunities and remain competitive and resilient. There may also be benefits for capital raising and investor confidence.

For the UK government, the move represents a chance to align with global standards, including the ISSB S2 climate disclosure standard, while sending a strong signal of climate leadership and spurring the private sector contribution to whole-of-economy transition.

SECTION C: RELATED POLICY AND FRAMEWORKS

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

They should play no part. There is weakness in the current voluntary market initiatives and they should play no part in credible transition plan reporting unless those credits are overseen and regulated.

At the very least these must be reported separately and firms should be required to state whether they envisage reaching targets with or without credits. Any mandatory minimum target should be met without credits. Any domestic targets should be met without overseas credits.

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?

There should be clear guidance about expectations of regulated entities, so that firms, investors and pension schemes are clear about what is expected of them. The major challenges for well-managed organisations adjusting to these reporting changes are less a lack of data or a lack of strategy, more a matter of auditing reporting requirements, slotting in how these map to existing requirements in the UK and other jurisdictions and ensuring compliance. To achieve this, it would most likely be helpful if the Government were as clear and prescriptive as it could be in relation to data requirements and parsimonious with narrative requirements, to avoid disclosures and ineffective compliance-led planning.