

The Pensions Regulator,
Telecom House,
125-135 Preston Road,
Brighton,
BN1 6AF

1st September 2025

Dear Julian, Mark and Melanie,

WRITTEN EVIDENCE ON TRANSITION PLANS FOR OCCUPATIONAL SCHEMES

ShareAction welcomes the Pensions Regulator's (TPR) blog on pension schemes implementing transition plans and we are pleased to see the Regulator is taking a more prudential style of regulation, incorporating systemic risks and assessing how well trustees are looking at those risks when making decisions.

As I'm sure you are aware, ShareAction has campaigned for the clarification of fiduciary duty for many years – in particular, making clear that system-level risks and impacts must be managed like every other risk - and we have gained a huge amount of support from industry in the past 12 months. Furthermore, as risks from the climate crisis become more pressing, it becomes ever more apparent to trustees and lawyers that the current legal framework is outdated and does not support trustees in navigating the management of climate and related risks. We see mandatory transition plans as a tool that can go hand-in-hand with a more forward-looking, longer-term approach to investment decisions for trustees.

A robust, mandatory transition plan framework would target the finite governance and strategic resources of pension schemes and other participants in the investment chain on the areas where they can be most effective. Rather than trying to quantify how bad 2.5°, 3° or 4° outcomes might be, using assessment tools which seriously underestimate the financial risks, trustees and others would have the opportunity to focus on how they will respond to the Agreement which 85% of the global economy is signed up to. Paris Alignment is not in the control of any single company or investor, but smart approaches are available to show how schemes are transitioning, and managing the risks of sectors and countries which prove harder to abate. Strong regulators that encourage good practice are key to making this progress.

Please see ShareAction's responses to the questions on your blog below. We would be very pleased to contribute in any way to your working groups or give further feedback if that would be helpful. I also look forward to offering our views when TPR tests its proposition in January 2026.

We look forward to discussing soon.

Kind regards,

Rosie Leech
UK Policy Manager

TPR letter on Transition Plans

- *What existing initiatives and proposals can inform our work?*
- *What are schemes already doing around transition plans? What obstacles and challenges are they facing?*
- *What are the key questions for UK-based occupational pension schemes as they develop transition plans? Are there particular considerations across different scheme types and asset classes?*

We anticipate that The Pensions Regulator will be aware of the main initiatives and plans which could inform this work, including the contributions of the Transition Plan Taskforce (TPT) on a recommended disclosure framework and asset owner sector guidance, as well as the Science-Based Targets Initiative (SBTI) and Transition Pathway Initiative (TPI) on trajectories, including sector-specific trajectories.

ShareAction has not carried out research on pension scheme transition plan practice our outputs, although we are always willing to support Government and Regulators with funded research programmes. We anticipate that whilst only a small number of schemes are 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 – 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, these voluntary actions are no substitute for mandatory transition plans. DWP regulations and statutory guidance do not currently prescribe or set any expectations of particular emissions targets, or timescales of longer than 10 years. This means that schemes are free to unwind Paris-aligned decarbonisation targets at any point, and are likely to do so this decade as many schemes' plans are largely predicated on the wholesale decarbonisation of all major investment markets.

The key questions for the occupational pension scheme sector in relation to transition plans concern the eventual regulatory framework in which transition plans are produced. Schemes will not wish to invest time and resources in particular voluntary approaches only to find that strategies they have developed are not compliant with eventual regulation. We have therefore focused our discussion on the key *policy* questions of transition plans – recognising that whilst there may be a (short) period of (for example) best practice guidance, the form this takes will need to be informed by the nature of the destination and eventual regulation.

We therefore focus on the key policy questions which will inform not only regulation but also any interim voluntary approach – whether to make transition plans mandatory, whether they should be Paris-aligned, which schemes should produce transition plans, where they should be published, how these should be integrated with TCFD reports, and how they will be communicated to savers. We cover each of these in turn below, as well as particular considerations across different scheme types and asset classes.

1. Whether to make transition plans mandatory – in our consultation response to DESNZ, we have argued for transition plans to be mandatory for all firms and other participants in the investment chain, including pension schemes. This is because no entity is immune either 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. Nor is any entity exempted from the need to take its own steps. 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 reducing regulatory costs (see 5 below).

Allowing firms to opt out of producing transition plans does not reduce burdens, as investors will still request them of firms who have not produced them. But it weakens every policy lever in the transition plan framework. If entities can simply walk away from complying by explaining, it becomes dangerously seductive to policymakers to weaken targets, implementation, and the contents of transition plans to ensure “enough” (however defined) firms still choose to comply.

Above all, comply or explain ruins comparability and aggregation for the rest of the investment chain – were Government to opt for comply or explain, financial firms and pension schemes would no longer be able to provide downstream comprehensive transition plans for their investments even in UK firms.

If Government opts to require transition plans of real economy firms and asset managers, it must make equivalent provision for occupational pension schemes. The lack of a professional end-investor, the employer covenant for DB, and the lack of choice for DC savers, must not be made excuses for non-reporting. All schemes are vulnerable to the effect of climate change. We cover member communications below in section 6.

2. Whether plans should be Paris-aligned - In jurisdictions where governments are signatories to the Paris agreement and are taking the necessary policy steps to meet their commitments – including in the UK, supported by action in the courts - then we see mandatory alignment with the Paris Agreement via transition plans as unarguable.

Were schemes to sign up to less ambitious targets in respect of their investments within these markets, they would be effectively declaring their intention to break the law if they were unsuccessful in changing it.

In some other markets, Governments have committed to the Paris agreement but have not taken the necessary steps¹. The ability to hold some Governments to account for delivery in the way that the UK has been may be limited, or currently untested, although the [International Court of Justice](#) has indicated that all parties to the UN Framework Convention of Climate Change have legal obligations.

Some jurisdictions have withdrawn from the Paris agreement altogether and are hostile to climate action - but 85% of the global economy in purchasing power parity terms is still signed up and the ICJ's opinion advises that even non-signatories still have obligations under customary international law. However, rather than pre-emptively limit transition plan scope to the UK, or to jurisdictions which were on track with the Paris agreement – which would incentivise firms to exit markets which were meeting their commitments for countries which were flouting them - we would urge a different approach.

‘Smart’ Paris aligned transition plans would recognise that reaching Paris alignment is typically not entirely within the control of any single company, and ensure plans instead identify and address the key assumptions, dependencies and other constraints that will either prevent or enable the transition plan to deliver full Paris alignment. This should include 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.

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. This approach allows Government and industry to respond continually to changing technological and global circumstances, undertake peer learning from other schemes' disclosures and develop and share best practice.

¹ [Net Zero Policy Matters](#) offers a stocktake of net zero policy adoption in G20 countries, with a focus on corporate and financial policies, including disclosure, transition plans, prudential regulation, taxonomies and stewardship.

Scheme types and asset classes

In relation to scheme types such as derisked DB, we do not see a challenge with requiring Paris alignment in the short and medium term, even if the scheme does not expect to be around in 2050. Trajectories could apply for the scheme's expected lifespan. Industry-wide average emission baselines can be used to ensure that schemes which have already taken ambitious steps are able to reflect these, whilst schemes which have done little are required to make up ground. The same principles apply to other schemes which are expected to consolidate, such as subscale master trusts.

In relation to asset classes such as sovereign debt, whose emissions cannot be meaningfully added to those of other equities, bonds and property, their trajectory can be set - and emissions reported - separately. The emissions of certain derivatives such as interest rate swaps, which do not have reportable emissions - as well as the emissions of buy-in contracts, which are wholly outside the trustees' control - can each be disregarded.

3. Which schemes should be producing transition plans – DWP's 2020 consultation [Taking Action on Climate Risk](#) estimated that limiting climate reporting to authorised master trusts and schemes with greater than £1bn in assets would capture 81% of pension scheme members, and 69% and 74% of DC and DB scheme assets respectively. We would encourage DWP and TPR to repeat this analysis.

Subject to an expected continued increase in the proportion of savers and assets captured in the intervening 5 years, we believe that these thresholds are appropriate in the first instance. However, small schemes do not become immune from the risks of climate change as a result of limited governance resources. We would therefore urge continued TPR monitoring of the quality of climate risk management by smaller schemes – which of course retain a fiduciary duty to manage such risks and should face grounds for consolidation or winding up if they are not taking appropriate action. **4.**

Where should transition plans be published – We noted the preference expressed by the TPT for transition plans to be at least periodically produced on a standalone basis. However with this approach there are arguably both benefits (internal coherence and prominence) and drawbacks (the loss of integration and de-duplication with other reporting, and – paradoxically – the risk of lower visibility by being buried in a 'CSR area' of the site, far from other strategic documents).

Given the finely balanced arguments, we believe it would be reasonable for 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 scheme's annual report and accounts, or their TCFD report each year - as long as it is reviewed, and where necessary updated, each year.

This will support Government's goal to reduce regulatory burdens, by allowing entities to de-duplicate data reporting, such as greenhouse emissions, which are already covered in the TCFD report. But it will not tie the hands of organisations which would prefer to publish separately some years - or every year. (See also the next section.)

5. How should transition plans be integrated with TCFD reports - TPR may wish to give consideration as to whether transition plans could go further and subsume TCFD reporting into transition plan reporting.

For example, rather than provide a TCFD statement describing "how the trustees maintain oversight of climate-related risks and opportunities which are relevant to the scheme" (paragraph 27(a) of the [Schedule](#) to the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021) trustees 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). And so on for all the other major TCFD duties.

What would be lost by this move would be the incorporation of pension schemes' risk management in higher temperature scenarios. However pension schemes have had particularly unhappy experiences with efforts to model and plan for temperature rises of above 2°C, with disastrous climate scenarios being assessed by inadequate models to deliver superficially appealing investment outcomes.

Whilst qualitative scenario models are now available, these are not necessarily decision-useful either. It would be preferable – if Government is minded in due course to mandate "smart" Paris-aligned transition plans for companies (see section 2 above) – to simply mandate similarly smart net zero trajectories for pension schemes and bin the worse-than-useless integrated assessment models.

However, this simplification or rationalisation would only make sense if transition plans were strong – mandatory and Paris-aligned. If schemes 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 in its existing climate reporting without producing anything more effective. It would leave savers completely in

the dark about how schemes would respond to a transition to a low carbon economy that was faster than the one they had planned for.

6. How should transition plans be communicated to savers – Finally, we would also strongly advocate for a strengthening of member-focused communications. Whilst the vast majority of readers of non-financial firm and investment manager climate reporting are professional investors, the vast majority of readers of occupational pension scheme climate reporting are ordinary savers.

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.” Some schemes have produced helpful 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 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 recent performance 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.

With a concise and standard core set of data items, pension scheme members would be armed with the information they need to challenge governance bodies, and make fund and scheme choices in relation to deferred pots. Without such a set of data, Government would be optimistically wishing that a resource-constrained civil society body has the expertise and funds to carry out its own review and somehow get the

results in front of consumers. Transition plans need to be drafted in a way which helps savers to help themselves.