

SFEC joint response to Transition plan requirements consultation

The finalised responses (ie the text in each box below) will be copied into the Online Survey form accessible here: <https://energygovuk.citizenspace.com/climate-change/climate-transition-plan/>

This consultation closes at **11:59pm on 17 September 2025**.

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?

Agree.

Additional benefits/use cases include:

- transition plans will also help to capture data and help develop "standards" or develop criteria and thresholds for what it is considered transition finance, so that the financing mobilisation benefit is maximised.
- investors/access to finance
- customers (more information to make more informed choices)
- supply chain (for net zero goals)
- employees (current and potential recognising responsibility of reporter etc)
- support national transition including NDCs
- Preparing a transition plan will prove a beneficial process, revealing inefficiencies and opportunities, may surface additional climate-related risks that have not already been identified as part of the entity's enterprise risk management system, or identify them earlier, giving management a chance to address them proactively.

Further insights include:

- Economy wide resilience and competitiveness (through transition plans) will help against the trend towards globalisation, nationalism and trade protectionism.
- A just transition, including dependencies and impacts on nature, can also support jobs in the economy.

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

SFEC/Green Finance Institute does not produce and does not intend to produce a transition plan as the carbon footprint is small.

SFEC members are developing and instigating their own Net Zero efforts and related disclosures.

a. [if yes] What specific drivers have motivated your entity or pension scheme to engage in transition planning?

b. [If yes] Based on your experience, do you have any reflections on the purpose, benefits and costs (e.g. additional FTE, setup costs, etc) of developing your own transition plan?

c. [if yes] What specific challenges or obstacles (e.g., regulatory, organisational, market-related, guidance), if any, did or do you face in preparing your transition plan?

d. [if yes] Did you make use of the TPT's materials (now managed by the ISSB), and if so, how? Were there any challenges in doing so? Are there any further pieces of guidance or support that you feel would be helpful?

e. [If no] If no, what are the main barriers preventing your organisation from developing a transition plan? Please provide any evidence where available to support your answer.

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)

SFEC member organisations comprise a range of stakeholders who have different use of and perspectives on transition plans.

Examples include:

- The use of transition plans from an investment and capital raising perspective depends on the type of firm and the purpose (e.g. equity or credit). For firms active in environmental activities or clean energy, the core strategy and accounts incorporate and embed transition dynamics and an additional transition plan may not add much to the analysis. With regard to financing opportunities, the use of transition plans may increase over time, but currently their use for this purpose is limited. For firms where this is not (or is a small) part of their activity, the main value of the transition plan has been to better understand a company's risk management
- From a broader investment perspective, in the last 1-2 years and potentially the next few, other external changes have been viewed as more material for identifying opportunities and risks, such as the impact of technology (AI, robotics etc.) and the impact of geopolitics and supply chain dynamics.
- investors and lenders have developed their own environmental assessment criteria to assess risk exposure of potential investments – transition plan

disclosures would help with providing consistent information to inform decisions.

- ICAS uses transition plans of supply chain partners to help determine if they will support ICAS achieve its net zero ambitions, and internally for staff education and engagement.

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.

Additional costs may arise to obtain the skills necessary to develop and interpret transition plans.

Savings may result if transition plans are in the public domain and supply chain partners can readily obtain key metrics and gauge progress.

Challenges include a lack of connectivity with financial statements (including reporting periods) and lack of transparency on the metrics disclosed.

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

Alignment is best achieved through adopting the standards that are being widely adopted elsewhere, in particular IFRS S1 and S2, and GRI, and with only minimal and necessary UK-specific deviations.

Ensuring ongoing interoperability (including definitions of terms and metrics) with evolving standards in major jurisdictions like EU will also be crucial for alignment, comparability and consistency.

Different approaches to the speed of implementation are less of a concern. Alignment on the substance of disclosures is key.

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.

We recognise TPT's disclosure framework (TPT DF) as a great resource which sets out good and arguably best practice for transition plan disclosures.

For future obligations we support the government using TPT DF as a guideline/benchmark/primary source (but not as a minimum standard) for those seeking guidance on how to make disclosures that are more comprehensive than those set out in IFRS S2.

Other guidance from the government may evolve to take account of market feedback, request reporters to better disclose on alignment of transition plans to sector decarbonisation pathways and advise on the appropriate adoption of assurance of transition plans.

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.

The requirements of UK SRS S2 will provide useful foundation information about the reporting entity's plans to transition to net zero. UK SRS S2 may provide sufficient information for some reporters and report users.

In other situations, for example reporters in high emission and hard to abate sectors, disclosure of more details would be necessary to give a more comprehensive sense of transition thinking and activity. Such details could include:

- Greater detail on risk and transition strategies, including consideration of issues beyond the reporting entity.
- More information on methodologies like the approach, calculation and application of internal cost of carbon.
- Further technical details on the approach it has taken to long term planning (e.g. in-depth details on scenarios and their implications).
- Use of existing impact standards like GRI 102, to communicate the impacts of transition plans on people, communities and the environment more broadly.

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 requirements of UK SRS S2 will provide useful foundation information about how the reporting entity is adapting and preparing for the transition to climate resilience. UK SRS S2 may provide sufficient information for some reporters and report users.

In other situations, for example reporters in high emission and hard to abate sectors, disclosure of more details would be necessary to give a more comprehensive sense of the approach to adaptation and resilience. These could include:

- Greater detail on risk and transition strategies, including consideration of issues beyond the reporting entity.
- More information on methodologies like the approach, calculation and application of internal climate metrics.
- Further technical details on the approach it has taken to long term planning (e.g. in-depth details on scenarios and their implications).
- Use of existing impact standards like GRI 102, to communicate the impacts of transition plans on people, communities and the environment more broadly.
- The need for disclosures at a more localised level.

Section B1: Developing and disclosing a transition plan

Given the links between the above options and any requirements under UK SRS, we will account for your answers to questions 7 and 8 in considering your responses to the following questions.

9. What are the most important, decision-useful elements of a transition plan that the government could require development and/or disclosure of? Please explain why and provide supporting evidence.

The most important, decision-useful elements of a transition plan are recognised to be:

- In general transition plans should include what is material from a financial perspective. At least one member believes the transition plans should also include what is material from an impact perspective.
- More specifically:
 - Foundations/strategic ambition – gauge overall aspiration and trajectory, and transition thinking being integrated in overall strategy, business model and financial planning
 - Implementation strategy, including supply chain engagement – commitment and progress to effecting change in the real world, resource allocation
 - Metrics & Targets – sense of progress and management, including baseline, interim milestones, benchmarks with peers/industry standards. Targets should be complete (ie cover Scopes 1/2/3) and ideally be validated (ie SBTi) and clearly state why they have been selected.
 - Clearly articulated assumptions and dependencies are crucial for investors to understand the critical areas the success of the transition plan hinges on.
 - Strategy and approach for engagement with supply chain partners and policymakers
 - Governance and accountability structures should be articulated, covering board and management oversight, integration of transition planning into risk management (including risk of not achieving transition) and remuneration. This allows investors to assess how well the organisation is overseeing climate risk across its operations.
 - Clear connectivity with financial reporting so that users can get a comprehensive sense of the transition approach and progress.

SFEC members did not agree as to whether the government should require development and or disclosure of transition plans, or any element of transition plans.

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.

SFEC members did not reach consensus, with views ranging from:

- Comply and explain is appropriate as an interim measure
- A comply and explain approach that complements UK SRS should be adopted as an ongoing measure (for target setting, development transition plans and implementation updates)
- Comply and explain does not require reporters to be accountable for their promises, could lead to greenwashing, allows high emitters to be less transparent and leads to inconsistent and fragmented disclosures.

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.

SFEC members did not reach consensus on the requirement for entities to develop and disclose a transition plan, with views ranging from:

- A comply and explain approach that complements UK SRS should be adopted as an ongoing measure (for target setting, development transition plans and implementation updates)
- Do not support mandatory reporting given the need to be proportionate in the regulatory burdens for business.
- Support requiring entities to develop and disclose a transition plan as a future position
- Support phase in of mandating development and disclosure of a transition plan, over 3-5 years

In terms of frequency of disclosure of a standalone transition plan in addition to transition plan related disclosure as part of annual reporting, those in favour of transition plans aligned on the following broad details:

- Transition planning is not a disclosure exercise, rather a strategic exercise that is embedded in the organisation's strategy.
- Comprehensive transition plans should contain granular details and be a standalone document so as not to clutter the annual report. TPT DF should be guidance for developing and disclosing these plans.
- The annual report should include transition details per UK SRS S2 so that users can get a holistic sense of the reporting entity's transition activities and progress towards delivering the full transition plan as set out in the standalone document.

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.

Given views expressed in the answers to previous questions, only some SFEC members responded to this question.

There was consensus in the following areas:

- Concerns over the growing complexity and burden of reporting
- Reporting should be proportionate and align with international requirement as much as practicable
- Favour principles-based disclosures rather than prescriptive requirements
- New disclosures should be introduced in way that is seamless with current practices so that there are no overlaps

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?

No comment

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?

No comment

Section B2: Mandating transition plan implementation

15. To what extent do you support the government mandating transition plan implementation and why? When responding, please provide any views on the advantages and disadvantages of this approach.

We do not support the government mandating transition plan implementation.

While SFEC members shared this view, the reasons given were different, as follows:

- Recognise the urgency of climate action and the importance of implementing credible transition plans. However, we do not support mandating implementation at this stage due to the significant challenges around enforcement and oversight.
- We believe that market activity in its widest sense, including consumers and stakeholder pressure are the best levers for driving implementation. A system of

regulation that would be needed to support mandating implementation, would be significantly complex, inflexible and burdensome to implement and enforce. This is also precisely what the government has said it does not want to impose on business.

- We do not support mandating implementation, as that could be counterproductive to adoption and quality of transition, and add to the “compliance fatigue” observed in the sector with regard to sustainability. Instead, allowing markets and investors / lenders to make their own assessment based on disclosure of metrics, targets and ongoing updates will be a more commercial approach. We also feel monitoring mandatory adherence will be resource intensive for the Government/FCA.
- We would advocate for mandatory reporting against transition plans rather than mandating transition plan implementation. There is limited value in imposing a legal requirement that could not be enforced. Furthermore, such a legal requirement may incentivise companies to develop and disclose less ambitious transition plans due to the risk of implementation not being achieved.

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?

Views on effectiveness of market mechanisms to ensure that companies are delivering upon their plan were mixed. Some observations were:

1. We believe over time market feedback will be more effective (albeit not in all cases), as disclosure of net zero targets and strategies become common place and annual reports (under SRS) and transition plans provide explanations on progress and issues. As we saw historically, various market mechanisms (e.g. carbon credits), have been useful in promoting investments.
2. The main driver for implementation is likely to be government support and funds/grants for large scale investments.
3. One of the most effective levers is transparent reporting of progress. When companies disclose the trajectory they are on and the gaps they need to address, it enables markets - particularly investors, lenders and insurers - to respond accordingly.
4. The creation of an enabling policy environment can reinforce market signals.
5. A range of market levers can be mobilised to reinforce delivery, including investor behaviour and stewardship practices, lender and insurer requirements, sector-specific pathways and standards, consumer demand and preferences, capacity building across industries and supply chains.

Some market mechanisms are effective at stimulating change, for example many organisations specify requirements related to environmental, social and governance (ESG) matters during tender processes, however such mechanisms appear to have had a limited impact on the UK’s ability to reduce overall emissions to date, therefore likely won’t go far enough.

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?

SFEC members accept that there is already an expectation that by 2050 for UK (2045 for Scotland) businesses with UK operations will be aligned to the UK's net zero commitment, but opinions are divided as to whether the government should mandate transition plans to align with these targets.

It could be useful for organisations to outline where they are not aligned to a 2050 net zero pathway and to articulate what they will need in terms of an enabling environment from government - be that for example policy, investment, subsidies etc. This could be the basis for on-going dialogue between government and business on how to achieve net zero in a way that works for business and the country. However, it is challenging to mandate a 1.5°C pathway for individual businesses. For many businesses such a pathway is an impossibility without systemic changes beyond their control, for instance, decarbonisation of the energy system, transport, infrastructure etc. Hard to abate sectors may struggle to meet Net Zero by 2050 and related interim targets, and while support from government (funds, favourable tax policies etc) may help, 1.5 degrees may already be breached.

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

The references cited by SFEC members are:

- IEA
- SBTi
- Certain sustainability finance instruments issued per ICMA with second party opinions over SPTs and KPIs
- Bonds issued by Climate Bond Initiative
- Considering that UK has carbon budget planning (and for certain sectors such as the Climate Change Committee's (CCC) decarbonisation sectoral pathways) they should be used as reference as well. Please see examples of frameworks such as Heathrow where this was relevant and used for their financing.

Government could provide industry-specific emissions trajectories and roadmaps for organisations to benchmark against.

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?

SFEC members shared challenges:

- The nature of the operations
- the lack of commercially viable, scalable, investable alternatives
- Technological challenges
- Lack of government financial and other support and stable policies

And methodologies/approaches that would enable transition planning to support hard to abate sectors:

- More support of sector led initiatives would be helpful (such as grants and loans to subsidise the costs of using potentially more expensive outputs by suppliers)
- encouraging government projects to favour those companies in these sectors that are implementing strategies to implement their transition to a low carbon business model.
- It would be good for plans to include scenario or cost benefit analysis why certain investments may not be ready yet or when they could be available (e.g. if not in 2030 in like 2040) and show how they could catch up to achieve net zero. This would show what management or the company is currently doing (and can do within its remits) to support transition finance.

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

No consensus reached.

Views included the use of thresholds to lessen the reporting burden on smaller supply chain partners and the importance of interoperability of transition plans across jurisdictions.

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?

Adaptation should be an integral part of transition plans, given its importance to the resilience of business.

Government should not intervene to ensure that companies make sufficient progress to adapt.

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?

The optimal scenarios will vary significantly across company size, location, sector, function etc so these may or may not be the right scenarios.

Overall, SFEC members emphasise the need for flexibility to avoid over-prescription and irrelevance.

Reporters should develop scenarios based on individual circumstances and with reference to latest information, previous disclosures like TCFD and what pre-eminent authorities and climate scientists are advocating eg NGFS, IEA, IPCC.

AI may play an increasing role in developing scenarios.

Expertise in developing the scenarios is likely to be a major barrier.

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?

While nature was recognised as being an important factor that should be considered alongside climate change.

Views differed on nature alignment:

- Inextricably linked and must be considered together
- Transition planning must go beyond climate alone
- Any reporting requirement needs to be limited to high level disclosures given the significant amount of work that still needs to be done to enable nature related work to be robustly measured and capable of being verified.
- Let TNFD work continue in parallel, do not integrate in transition plans

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?

Do not define scope solely by economic figures as that is unlikely to identify all the priority, high emitters.

Scope should include those sectors that can contribute most to decarbonisation pathways.

Scope should be set by thresholds that are clear, unambiguous, objective and easy to apply.

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?

Opinions differed from introducing a standard template of requests, like EU's VSME to introducing thresholds below which companies would not have to supply data.

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

UK is driven by a need to achieve a balance of quality disclosures that are proportionate for the reporter, useful to mobilise finance and serve the decarbonisation agenda of the UK.

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?

No comment

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?

No comment

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?

High integrity carbon credits can play a role in certain limited circumstances eg residual emissions that cannot be avoided.

Government guidance including reputable providers (like EU GBS) would be helpful.

30. Are there specific elements of transition plan requirements or broader policy and regulatory approaches from other jurisdictions that the government should consider?

No comment

31. How can transition planning contribute to achieving the UK's domestic net zero targets while ensuring it supports sustainable investment in EMDEs, where transition pathways may be more gradual or less clearly defined?

No comment

32. How could transition planning account for data limitations, particularly in EMDEs, where high-quality, comparable sustainability reporting may be less available?

No comment

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?

The real challenge is not the disclosure but the preparedness of UK business. Physical climate risks are often underestimated and poorly understood and plans to adapt to them tend to be weak. Significant capacity building around embedding physical risk and adaptation into corporate risk assessments is needed to support robust transition planning.

There is a need to align government / public entities and sectors with private market players - not only big ones but also SMEs in the supply chain. As these are complex and large investments with long payback, capacity building and new mechanisms (including concessional financing targeting smaller users in the upstream or downstream chains) would be useful.

As the SFEC we comprise 14 professional bodies, representing over 1 million professionals working in the sector. Individually and together, we play the key role in capacity building, setting and embedding professional, technical and market standards and norms across the broadest spectrum of the UK financial services sector.

We have a unique perspective in the financial ecosystem and will continue to lead and support finance professionals, deploy their core knowledge and skills aligned within the

context of long-term sustainability of their financial decisions making and recommendations that will support their customers, the economy and hopefully society on the whole.