Principles for Responsible Investment

PRI RESPONSE

UK TRANSITION PLAN REQUIREMENTS

September 2025

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To inform this paper, the following group has been consulted: UK Regional Policy Reference Group

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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UN environment programme finance initiative

United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research.

ABOUT THIS CONSULTATION

The PRI welcomes the opportunity to respond to the Department for Energy Security & Net Zero's (DESNZ) call for feedback on transition plan requirements and implementation routes. The consultation covers the benefits and use cases of transition plans, implementation of transition plan requirements, and related policy frameworks. This consultation is part of a package of the government's call for feedback on modernising the UK's sustainability disclosure landscape, with additional consultations on the UK Sustainability Reporting Standards (SRS) and an assurance regime for the providers of sustainability-related financial disclosures.

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KEY RECOMMENDATIONS

The PRI welcomes the UK government's consultation on transition plan requirements and implementation routes. Having an ambitious and usable sustainable finance framework that supports sustainable growth and enables capital to flow towards the transition is a priority for responsible investors operating in the UK.

The PRI's key recommendations are:

- **Phase-in requirements to adopt, disclose and implement through best endeavours climate-related transition plans** that align with net zero by 2050, including whether and how they have set interim targets (5-10 years) aligned with the Paris Agreement. Mandatory transition plan requirements would enable investors to compare steps entities are taking to transition, allowing them to capture transition-related opportunities and manage transition risks.
- **Phase-in the application of transition plan requirements with a TCFD-style rollout**, starting with UK-registered financial institutions and FTSE100 companies. A phased-in roll-out would help address initial reporting challenges, whilst allowing companies across sizes and sectors to be gradually brought into scope.
- Government should clarify that **transition plans can be cross-referenced under UK SRS S2 and IFRS S2**, in line with a building blocks approach.
- Transition plans are contingent on a **clear and enabling policy environment**. Aligned signals, policies, Carbon Budget Delivery Plan, and sectoral pathways are needed to build a wider transition planning ecosystem
- The Transition Plan Taskforce (TPT) frameworks and guidance integrated under the IFRS Foundation have a role in **capacity building to support entities to develop credible and robust transition plans**. The sub-elements of the TPT's framework could also be taken forward in government's requirements to support high-quality, flexible and comparable transition plan disclosures.
- Transition plans can be a valuable tool for **financial stability,** as they can support the identification of short- and medium-term risk, as well as a forward-looking systemic or longer-term risk measurement

DETAILED RESPONSE

In 2019, the UK government legislated to transition the UK economy to net zero emissions by 2050, with intentions to move towards mandating transition plan requirements signalled through the COP26 pledge and manifesto commitments.[1] There has been important progress on voluntary transition plan disclosures, and the publication of the Transition Plan Taskforce's (TPT) guidance and disclosure frameworks intended to support entities developing transition plans. This has laid a strong foundation to now move towards mandating transition plan requirements.

Scaling the transition is a prerequisite for the UK's climate commitments and clean energy mission. The ingredients for the transition clearly exist in the UK, but it is not underway at the pace and scale required.[2] To accelerate progress, mandatory transition plan requirements are needed.

SECTION 1: THE BENEFITS AND USE CASES OF TRANSITION PLANS

Question 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?

The government has set out a strong use case for the role of transition planning within the UK. Transition plans are an essential tool for **catalysing climate action, mitigating risk, and seizing the opportunities** associated with the transition. They provide explanations of both how an organisation will meet its commitments, the scenarios it is planning for, and the key dependencies that underpin the implementation of its strategy. The G20 recognise that transition plans are essential to increasing transition finance; the Transition Finance Market Review illustrates the importance of mandatory transition planning in making the UK a globally leading financial centre.[3]

In our response, the PRI will consider the benefits and use cases of transition planning from the below perspectives:

- Economy-wide impacts
- A driver of investment
- Building a wider transition planning ecosystem
- Alignment with the direction of travel
- A demonstration of UK leadership

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[1] HM Treasury, Fact Sheet: Net Zero-aligned Financial Centre (2021). Labour Party, Change: Labour Party Manifesto (2024)

[2] CCC, The Seventh Carbon Budget (2025)

[3] OECD, Key Issues Note for the 2024 G20 Sustainable Finance Working Group (SFWG) Advancing Robust, Credible and Just Transition Plans (2024). Transition Finance Market Review, Scaling Transition Finance: Findings of the Transition Finance Market Review (2024)

Economy-wide impacts

Transition plans can support the FCA's overall aim to ensure that **financial markets function effectively and efficiently, alongside enhancing market integrity**. Credible transition plans enable the flow of material information to support business' risk and capital allocation decisions, as well as offering an evidence base for climate claims and a structured framework for strategic transformational change. Poor quality and inconsistent transition plan disclosures that inform decision-making may jeopardise these aims.

Transition plan requirements can improve corporate and investor efforts to decarbonise and ultimately strengthen economy-wide resilience to the impacts of climate change. They shed light on the **policy barriers and dependencies** that entities rely upon to transition effectively. They can also be an **engagement tool** between investors and government, with clear steers on the policies to prioritise from an entity's perspective to fulfil their transition plan commitments.

While global economic shocks are not new, they become more likely due to climate change, biodiversity loss, and economic interconnectedness. The transition to net zero is vital for resilience - reducing fossil dependence enhances immediate energy resilience and reduces long-term climate effects by lowering GHG emissions.[4] Postponing the roll out of transition plan requirements could lead to a costlier, more disruptive transition.

Transition plans can support the identification of **financial risk**. Given their forward-looking nature and longer time horizons, they can be a valuable tool for financial stability. As the LSE notes, this can supervise aggregate alignment to identify systemic risks, bringing longer-term risks into the present thereby giving a greater opportunity to assess and address these risks.[5] The Centre for Economic Transition Expertise (CETEx) also find that the degree of alignment between financial sector and real economy transition planning is an indicator of the risk to financial stability arising from climate change, and therefore a micro- and macro-prudential concern.[6]

Transition plans ensure that net zero pledges are translated into real economy impacts and action in portfolio reallocation. Transitioning to meet net zero goals could reduce costs for the economy, attract £10 billion per year of investment into the UK and create 600,000 new green, decent jobs by 2030.[7] If the UK is to remain a credible actor in the transition, the government needs to follow through with clear, consistent policies that will effectively shift financial flows, public and private, towards achieving net zero goals that support the low-carbon economic transition.[8]

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[4] Ranger et al. Reforming the Global Financial Architecture to Drive a Resilient Net-Zero Transition (2023)

[5] LSE, Net zero transition plans: A supervisory playbook for prudential authorities (2022)

[6] CETEx, Integrating bank transition planning into prudential supervision (2025)

[7] UK CCC estimates that £50bn per year of investment is needed to reach net zero (Sixth Carbon Budget report), UK government's Ten Point Plan outlines £12bn in public investment to mobilise £42bn in private capital by 2030. Oxford Economics (2021) Green Growth: Opportunities for the UK.

[8] PRI opinion in Net Zero Investor, Transitioning to net zero is cheaper than putting it off (2023)

A driver of investment

Transition plans could also be used as a finance raising tool by businesses to raise additional capital needed to innovate business models, develop new goods and services, and decarbonise processes.[9] They are part of investor's assessments of how entities navigate the transition – through their strategy and risk management processes, and ultimately whether it remains viable to continue investing in the entity. To this end, they are uniquely placed to give **investors clarity on an entity's resilience to future shocks and supply chain dependencies.** This drives more informed capital allocation decisions, enabling investors to better price in risks and drive credibility and integrity in transition finance.

As a consistent data piece, transition plans can be a valuable tool for engagement. Setting regulatory guardrails and a minimum baseline for transition plans is an important lever to boost private sector investment, and mainstream investor's ability to use transition plans for capital allocation decisions, portfolio construction, risk assessment, pricing valuation, and stewardship activities. It provides investors with the means to assess the delivery of decarbonisation targets, and an enhanced ability to deliver on their own climate commitments.[10]

Research shows that the UK net zero economy is a significant driver of growth, innovation and productivity – generating £83.1 billion in Gross Value Add (GVA) and has grown 10% in the past year.[11] It is therefore integral to the government's Growth Mission. Further, the Bank of England found that 50% of surveyed firms expected climate to have a positive impact on their total investment levels, with around 25% expecting this impact to be large.[12] By aligning transition plans with the UK's climate commitments, the financial sector can anticipate greater clean investment opportunities. Sectoral pathways could improve the feedback loop between how corporate and investor transition plan align with government decarbonisation pathways.

Building a wider transition planning ecosystem

Investors' net zero commitments are contingent on a **clear and supportive policy environment.** Developing a broader enabling environment is crucial in supporting the implementation of transition plan requirements. To elaborate, taking a **whole-of-government approach** to develop **comprehensive sectoral pathways with clear pathways to decarbonise** could help entities meet transition plan requirements. Through aligned policy steers, the government would be sending a clear signal that provides investors with confidence and certainty to invest in the growth of economic sectors that will drive the UK's transition in the long-term. Adequately measuring companies' and investors' role, performance, and impact on sustainability matters is an important foundation for

[9] Ricardo, Final Technical Report for the CCC: The role of transition plans in the Uks pathway to net zero (2022)

[10] IOSCO, Report on Transition Plans (2024)

[11] Energy & Climate Intelligence Unit, UK net zero economy grows 10% in a year, finds new report (2025)

[12] Bank of England, Firm climate investment: A glass half-full (2024)

successfully redirecting capital to support the transition, which relies on ensuring consistent and comparable data. Our response to Question 30 will elaborate on the policies and pathways needed to support a transition planning ecosystem.

Alignment with direction of travel

Moving to mandatory transition plan requirements would be a natural next step in the UK's sustainable finance regulatory framework. The government have set ambitious plans and has made progress on important sustainable finance policy files - the focus should now shift to implementing policy commitments to achieve ambition.

The UK has a strong foundational structure in place to approach the transition, with legally binding emissions targets (carbon budgets) every five years, and the CCC to advise the government on emissions targets. The CCC's 2025 progress report to Parliament demonstrates that the UK's climate targets are achievable, but only with sharper measures in place. While the flow of capital towards sustainability goals has increased, it is not yet at the scale needed.[13]

The Chancellor of the Exchequer highlighted that there is '*no durable plan for economic stability and no sustainable plan for economic growth that is not also a serious plan for net zero*.'[14] The UK's Modern Industrial Strategy explicitly recognises the transition to a net zero economy as one of its central growth missions. The strategy also reaffirms government's support for requiring large businesses and financial institutions to disclose robust, credible transition plans in line with climate goals. However, **the Modern Industrial Strategy risks being of limited use if it is not followed up by aligned policies and regulations**. Requirements on transition plans is both consistent with the government's direction of travel in the Modern Industrial Strategy, and an opportunity to scale economic growth and effective decarbonisation.

The UK's legal framework and existing climate policies could be further enhanced with transition plan requirements. The FCA has recently confirmed that transition plans will qualify as protected forward-looking statements (PFLS) under prospectus regulation from January 2026.[15] Granting this additional protection creates a more supportive regulatory landscape for transition plan disclosures, recognising that transparency and market integrity is important for investors.

In the absence of mandatory requirements on transition plans, alongside the decision not to pursue a UK Green Taxonomy, the UK's transition relies on voluntary standards and labelling, existing disclosures, and climate risk reporting. Mandatory transition plan disclosure requirements would inject coherence to an existing direction of travel in terms of policy, giving market actors greater confidence and certainty.

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[13] CCC, The Seventh Carbon Budget (2025)

[14] Rachel Reeves, Mais Lecture (2024)

[15] FCA, Policy Statement PS259: New rules for the public offers and admissions to trading regime (2025)

A demonstration of UK leadership

Transition plan requirements can help to position the UK as a global leader in the transition, accelerating innovation in climate solutions domestically, which can be exported and drive decarbonisation internationally.[16] The UK has already shown climate leadership in passing the Climate Change Act in 2008, which introduced legally binding emissions targets (carbon budgets) every five years and establishing the independent Climate Change Committee (CCC). Over 20 countries have adopted climate change advisory committees inspired by gold standard set by the CCC.[17]

Policy makers across the globe are increasingly recognising the importance of setting expectations or requirements to integrate transition plans into firms' strategy.[18] At the same time, they are grappling with removing duplication and streamlining regulation to reduce regulatory burdens. UK leadership and competitiveness can be demonstrated through **proportionate transition plan requirements** that balance principles and prescription, meet investor needs, and allow entities to cross reference transition plans in other reporting obligations. This could help other jurisdictions developing proportionate and streamlined transition plan requirements.

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

The PRI is not a preparer so will not respond to this question.

Question 3: For users of transition plans: How do you use transition plans?

Corporate transition plans provide critical information to investors looking to understand a company's transition-related ambitions and the actions it plans to take to deliver these. Investors using transition plans do so from both lenses of capturing opportunities and understanding risks. Whilst different companies take different approaches to transition planning, at their core they should illustrate the **steps an entity is taking to transition, broken down into specific steps and structured into medium to long term actions to achieve ambitions.** They can also identify separate decarbonisation levers and their financial implications in the short-, medium- and long-term. Some investors have noted that waterfall charts can be a powerful visual indicator.

Transition plans should **enable investors to understand if, and to what extent, companies' strategy and investments align with net zero**. As a forward-looking strategic plan, they are more than a tick box exercise or disclosure obligation – they provide critical insights into the entity's views on, preparation for, and contributions to the transition to net zero. As such, plans should articulate meaningful targets, including interim targets, as this allows for science-based scenarios to be

[16] CETEx, How to maximise potential when introducing mandatory Paris-aligned transition plans in the UK (2025)

[17] CCC, The Seventh Carbon Budget (2025)

[18] LSE – prudential net zero transition plans

translated to the level of corporate planning. Disclosures of metrics support accountability, credibility assessments, and enable informed investment decisions.

Capturing opportunities

Transition plans include key information about risk and resilience, enabling investors to make informed capital allocation and stewardship decisions. They feed into decision-making frameworks and can be a **powerful tool for engagement with investee companies**.

Robust and credible reporting on transition plans is necessary for investors to understand how an issuer will pivot its existing assets, operations and business modes to achieve future compatibility of its strategy and business model with the transition to net zero.[19] UK transition plan requirements have the potential to catalyse transition finance to drive the long-term competitiveness of the UK, and enable investors to hold investee companies accountable for implementation.

A survey of UK-based institutional investors found that 84% would be more inclined to finance companies with clear climate transition plans than those without, whilst 79% note that they are struggling to make progress on their goals without comparable, credible transition plan data.[20]

Understanding risks

In executing fiduciary duties, transition plan requirements contribute to balancing imperfect pricing for investors. This is because investors cannot transparently see material risk information without credible transition plans from investee companies. Transition plan requirements could bridge this gap and enable investors to better execute their fiduciary duties.[21]

A lack of comparability of reported data and transition plans across businesses makes investors' evaluation of risks and opportunities difficult. An OECD survey on transition finance found that insufficiently detailed disclosures and data from corporations, a lack of fiscal incentives, and deficient policy frameworks created shortcomings in an enabling policy environment for transition finance.[22]

The **lack of a consistent, accurate approach to pricing risk represents another barrier to scaling up transition finance**. For investors wanting to finance the transition in the real economy (instead of decarbonising portfolios), transition plan information is of particular importance. Transition plan information can help investors assess whether higher-emitting entities in their portfolios are on a credible pathway to transition. This can help scale transition finance and facilitate a long-term real-economy transition, representing a significant UK contribution to global decarbonisation efforts.

[19] PRI Policy Briefing, Omnibus I European Commission proposal (2025)

[20] E3G, UK transition plan consultation: Building a future-fit regulatory regime (2025)

[21] King's College London, Accelerating Transition (Essay: Disclosing Future Impairments to Address Imperfect Pricing, Tom Patience, Handelsbanken) (2025)

[22] OECD, Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans (2022)

The Net Zero Asset Owner Alliance (NZAOA) has highlighted that a systemic lack of reliable information about key issues, such as project risks, yields/ returns, and historic defaults/losses, pushes private-sector investors to price the perceived risks at disproportionately high levels.[23]

Investors need **access to decision-useful corporate sustainability data across their portfolios**, to inform their investment decision-making. Without this, it is difficult to account for sustainability-related financial risks and opportunities, allocate capital efficiently, meeting fiduciary duties and address sustainability goals. Therefore, transition plan requirements are an opportunity to provide investors with the comparable, high-quality information they need and currently lack from investee companies.

Question 4: Do you have any reflections on the additional costs and challenges of using transition plans?

PRI signatories have highlighted the challenges of using transition plans.[24] Investors have a dual role as both users and issuers of transition plans, and face challenges associated with both roles. The major challenges include:

Investor-users of transition plans:

- Assessing the credibility: Limited access to credible and comparable third-party verification and lack of resources, capacity and/or sector-specific expertise poses a challenge for investors seeking to assess the credibility of transition plans disclosed by companies in their portfolio and subsequently inform engagement and capital allocation decisions.
- Information needs: Transition plans contain key financial information, so in the absence of comparable data across transition plans, this may restrict informed capital allocation decisions.

Investor-issuers of transition plans:

- Data limitations: Investor-issuers have expressed the challenges with access to high-quality, decision-useful data, especially related to Scope 3 emissions. This poses challenges for target-setting and implementation strategy.
- Uncertainty associated with climate, transition, and emissions scenarios and projections: Uncertainty surrounding the speed and scale at which the global economy will decarbonise, and the likelihood of breaching the 1.5C temperature threshold impacts issuers seeking to establish their strategic ambition and develop targets and implementation strategies.[25]
- Reporting fatigue and interoperability: As governments across markets move to mandate the disclosure of transition plans, investor-issuers are supportive of greater interoperability to

[23] Net Zero Asset Owner Alliance (NZAOA) Scaling Blended Finance (2022)

[24] Signatories that PRI have engaged with on challenges on the usability of transition plans are institutional investors across the UK, EU, Asia, and North America,

[25] PRI (2025), Investor briefing: Institutional investor action on climate risk as the world approaches the 1.5°C limit of the Paris Agreement

ensure consistency across different jurisdictions and with major voluntary disclosure frameworks.

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

There is a need for greater clarity and harmonisation across transition plan frameworks. To allow informed investment decisions, transition plans ought to be broadly comparable around the globe. **In this respect, the work of the International Sustainability Standards Board (ISSB) is crucial to establish a global minimum standard that jurisdictions can build on.** The TPT had been central in shaping best practice guidance and providing a detailed framework for credible, decision-useful plans. In onboarding the TPT's guidance, the IFRS Foundation can provide granularity to a global baseline to help with practical implementation.

Transition plan requirements across Australia, Switzerland, Brazil and Japan, are emerging. Jurisdictions are increasingly recognising that requirements are not only vital for meeting climate commitments, but for ensuring **economic resilience, investor confidence, and financial stability**. If the UK follows through on its transition plan requirements commitment, it will be in a leadership position - helping to shape a coherent global transition planning ecosystem. The UK should continue to play an active role in driving interoperability of transition plan frameworks through IOSCO and other standard-setting fora.

In the EU, transition plan requirements are already under effect, although currently under review with the Omnibus proposal. The Corporate Sustainability Due Diligence Directive (CSDDD) requires large companies to adopt and put into effect transition plans to ensure that their business models and strategies are compatible with the transition to a sustainable economy and limiting of global warming to 1.5°C. It specifies that the plan should contain:

- science-based and time-bound GHG emissions reduction targets for 2030, and in five-year steps to 2050
- key levers and actions to reach targets
- investments and funding supporting the plan, including capex alignment with the EU taxonomy and exposure to fossil fuels
- governance of the plan [26]

This obligation is complemented by provisions as part of the Corporate Sustainability Reporting Directive (CSRD) that require the public disclosure of transition plans, where material and companies have them. While they do not reference them explicitly, the EU requirements are broadly interoperable with transition plan disclosure requirements under IFRS S2 and TPT guidance.

These obligations are currently under review as part of the European Commission's Omnibus I proposal to simplify EU sustainability reporting requirements. While this complicates efforts to align

[26] Article 22 of Directive (EU) 2024/1760

requirements with the EU, there is currently substantial overlap between the EU requirements and the UK government's proposals. Of note, as part of a national emergency plan, Spain has recently introduced mandatory climate disclosures with immediate effect and five-year transition plans from 2026.[27] This move suggests that Spain's new law could overcome a potential weakening of CSRD requirements on transition plans.

Following the landmark International Court of Justice (ICJ) ruling, the Court clarified that States have legal obligations under international law to pursue the threshold of the Paris Agreement's 1.5°C temperature goal. They must demonstrate progression in ambition, with the 'highest possible ambition' in alignment with 1.5°C, which must be reflected in domestic implementation of Nationally Determined Contributions (NDCs). States may be held legally responsible for failing to take action to protect the climate system from harms caused by GHG emissions, including through fossil fuel production, fossil fuel consumption, the granting of fossil fuel exploration licences or the provision of fossil fuel subsidies.[28]

To fulfil obligations to prevent significant climate harm, States will be required to review and develop national legislative and regulatory frameworks that enforce emissions reductions. This is likely to **raise expectations for transition planning processes,** and we encourage regulators to aim for interoperability, share best practice and avoid fragmentation.

SECTION 2: IMPLEMENTATION OPTIONS

Question 6: What role would you like to see for the TPT's disclosure framework in any future obligations that the government might take forward?

Implementing the TPT disclosure framework is an opportunity for entities to embed sustainability considerations into their wider strategy and ensure a comprehensive approach to the transition. The TPT framework provides a structured and tested approach to addressing key risks and leverages opportunities arising from a whole-of-economy transition to net zero.[29] Many investors disclosing voluntary transition plans that PRI has engaged cite the TPT framework as a valuable resource.

The TPT disclosure framework was designed to be complementary to IFRS S1 and S2 (and subsequently UK SRS S1 and S2). Transition plans produced in line with the TPT disclosure framework can therefore be incorporated into climate-related disclosures in jurisdictions that have adopted ISSB standards.

TPT certainly has a place in guidance and capacity building to accompany transition plan requirements, with some investors noting that it would be beneficial to have as much comprehensive market-wide coverage under the TPT framework as possible. Whilst we would caution against requiring entities to structure their entire transition plan to the TPT disclosure framework, the **sub-elements of the TPT's pillar approach could be taken forward in government's requirements.**

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[27] Real Economy Progress, Spain introduces mandatory climate disclosures and transition plans (7 September 2025)

[28] International Court of Justice, Advisory Opinion on the Obligation of States in Respect to Climate Change, para. 427 (July 2025)

[29] Ramboll, The Transition Plans Taskforce requires action (2023)

Embracing the pillar approach of the TPT from the outset encourages entities to produce good quality, comparable transition plans, and aligns with the GFANZ approach. This also provides structure, flexibility, and comparability in how entities disclose their transition plans.

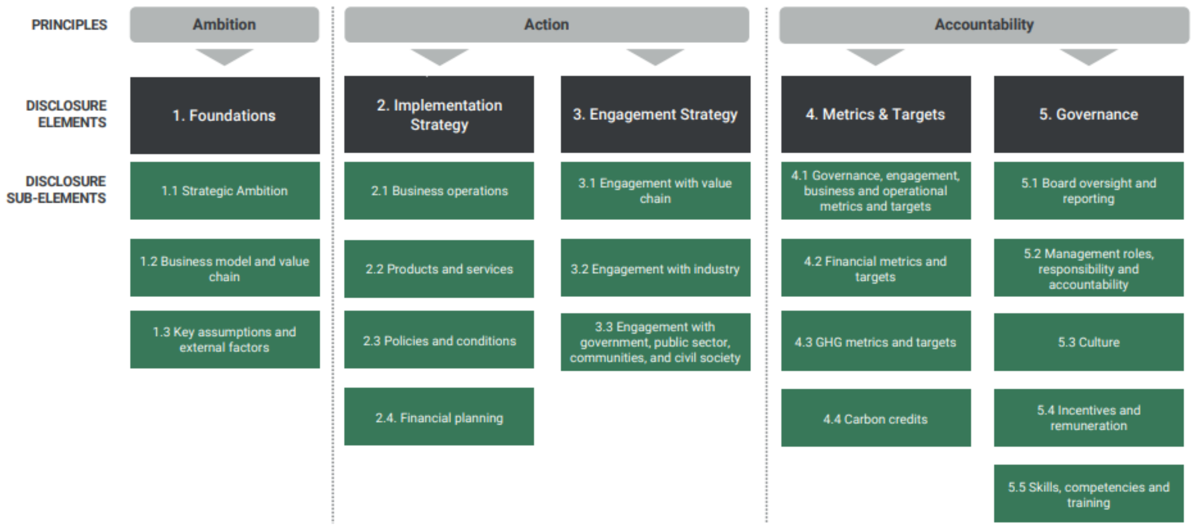

Figure 1: The TPT Disclosure Framework

Question 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?

A requirement to adopt, disclose, and implement through best endeavours a transition plan should be formulated separately from UK SRS S2, as this would provide granularity and comparability for users assessing these plans.

The requirements in the draft UK SRS S2 already provide investors-useful information regarding the contents of a transition plan and how an entity is preparing for the transition to net zero – including on changes to the business model, mitigation and adaptation efforts, assumptions, dependencies, how climate-related targets (including emissions reduction targets) will be achieved, resourcing and progress of plans disclosed in previous reporting periods.

Yet, as the government note, UK SRS S2 will not require an entity to have a transition plan or set climate targets in line with a particular climate goal. Whilst the UK SRS S2 covers the spirit of a transition plan, a specific transition plan disclosure is warranted. A separate transition plan disclosure requirement would better define the components and expectations on transition plans, rather than embedded in ambiguous disclosure on a comply or explain basis.

Additionally, Considering the UK government has a legally binding net zero target, coupled with private sector commitments on net zero, a transition plan strategy would illustrate shorter-term actions in line with these ambitions and the steps taken to implement a transition plan. This goes beyond risk management information disclosed under TCFD or the incoming SRS regime, allowing entities to explain the narrative of their transition strategy. To ensure investors can easily access transition plan related information and that it is integrated within decision-making structures, transition plans could be cross referenced under UK SRS reporting.

Question 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?

As our response to Question 7 highlights, 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. This information would allow investors to understand companies' transition plans, assess their credibility and engage effectively with portfolio companies. Yet, a requirement to adopt, disclose, and implement through best endeavours a transition plan should be formulated separately from UK SRS S2.

Question 9: What are the most important, decision-useful elements of a transition plan that the government could require development and/or disclosure of?

Preparers benefit from some degree of flexibility in developing and undertaking their transition planning activities and in disclosing their transition plans, as this allows them to provide context and specific information. Preparers benefit significantly from clear direction from regulators in identifying the most decision-useful elements of transition plans. The government should consider requiring the development and disclosure of these four key elements, while providing flexibility for entities to explain their approach.

Foundations & strategic ambition

Credible transition plans are based on a clear statement of the entity's high-level ambition. This could include a view on the trajectory– including the speed and scale– of the transition to net-zero, for which the entity is preparing through transition planning. Entities could be encouraged or required to develop and disclose their strategic ambition, along with the associated risks and opportunities. This information is critical for investors, regulators, and other users of the transition plan to understand the entity's views on, preparation for, and contributions to the transition.

Quantitative targets and metrics

Credible transition plans include quantifiable metrics and/or targets which clearly describe the entity's goals, enable benchmarking, and support ongoing monitoring of progress. Specifically, entities should be required to develop and disclose decarbonisation and/or broader climate targets (e.g. related to climate solutions, adaptation and resilience). To support these, entities should provide details on their targets, such as the target type (e.g. emissions reductions, portfolio allocation/exposure, and/or capital allocation); the target scope (e.g. portfolio or sector coverage, absolute emissions or emissions intensity, emissions scopes, and time horizon); and the underlying assumptions (e.g. decarbonisation pathways, policy dependencies).

The underlying assumptions on decarbonisation pathways and policy dependencies is crucial, as transition plans can be a tool for engagement with government on the policies and pathways relied upon to transition effectively. To this end, they can improve dialogue and coordination between investors and policy makers, enabling the later to grapple with the roles of different actors in the transition and where policy, incentives, and public investment can create an enabling environment. Quantitative targets and metrics, including underlying assumptions or scenarios underpinning the plan are critical for enabling accountability, assessing credibility, peer benchmarking, and monitoring progress.

Implementation strategy

To accompany the targets, entities should be required to disclose how they intend to meet these. This may include the entity's approach to supply chain and/or portfolio engagement, and collaborative and/or peer engagement. Importantly, entities should be required to disclose how they align their policy and political engagement activities with their targets and broader climate goals. Financial planning (CapEx) is a key component of an entity's implementation strategy. The implementation strategy conveys critical insights into the credibility and feasibility of the transition plan. For investors, this can help inform stewardship decisions and capital allocation and/or portfolio construction.

Accountability and governance

Credible transition plans are transparent and integrated across the entire organisation. As such, entities should be required to develop and disclose their approach to ensuring accountability for the implementation and delivery of their transition plan. They should ensure is built in across the organisation and at the highest level of management (e.g. information about plans for internal capacity building, linking specific KPIs related to the transition plan to executive remuneration). In the longer term, entities should be encouraged to seek third-party verification of their transition plan, including metrics and targets, where feasible and appropriate. Good governance and accountability mechanisms can support investor confidence that the entity is serious about delivering on its stated goals and targets and therefore is likely to be able to achieve the aims of its transition plan.

Question 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.

The PRI does not support Option 1. This currently exists in the UK under TCFD reporting and has led to important progress, but transition plan disclosures should now shift from comply or explain, to mandatory. Avoiding the worst impacts of a disorderly transition and improving the comparability and credibility of voluntarily disclosed transition plans is important for investor decision-making. Considering that managing financial risk is obligatory, transition plans being voluntary is a gap that needs rectifying.

The UK is one of the leading financial centres with the highest amount of fossil fuel assets that are at risk of being devalued or stranded due to changes in energy consumption. Whilst the development of renewable energy has scaled up, the ratio of low carbon energy compared fossil fuel investment needs to quadruple to 4:1, compared to 0.9:1 by the end of 2030. [30]

[30] House of Commons Environmental Audit Committee, The financial sector and the UK's net zero transition: Government Response to the Committee's First Report (2024)

Although there has been notable progress in entities voluntarily producing transition plans, the increasing fiscal and environmental costs of failing to transition fast enough warrant policy intervention. Setting transition plan requirements would put the UK on a stronger pathway to achieve a below 2°C scenario and avoid the harshest impacts, in line with the Paris Agreement. A disorderly transition would have significant economic impacts, ranging from damage to agricultural production, trade impacts, droughts, flooding and more.[31] The 2025 Office for Budgetary Responsibility's fiscal risks and sustainability report found that damage to UK GDP from climate change is likely to be more severe than previously thought. Under a below 2°C scenario, GDP is an estimated 3.3% lower than a no climate change baseline projection in 2060-61. In a below 3°C scenario, GDP could be 7.8% lower by 2073-74.

Inadequate disclosure requirements may encourage false transition activities, whilst a lack of comparability makes the evaluation of investment risks and opportunities difficult. IOSCO highlights that market participants are concerned about the current lack of standardisation of transition plan disclosures, with entities using different definitions and reporting frameworks or standards.[32] Many investors have set expectations on investee companies to produce credible, science-based and decision-useful information, which has resulted in notable progress. However, **requirements to encourage comparable, consistent, and reliable disclosures on transition plans are necessary for investors to effectively manage climate risks and make informed investment decisions.**

Question 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?

The PRI supports Option 2. We recommend that requirements set out expectations to 'adopt, disclose and implement through best endeavours their climate-related transition plans aligned with net zero by 2050, including whether and how interim targets (5-10 years) are aligned with the Paris Agreement.'

A regulatory driver is needed to move transition plans from voluntary to mandatory practice. A comply or explain approach has led to difficulties in the comparability of transition plans as the baseline between corporate transition plans is different. The rationale for a market-led approach was that the market would react to those companies who were unable to articulate their transition plans. However, with the urgency needed to accelerate transition, regulatory requirements must step in to pick up the laggards and set expectations on a consistent baseline for transition plans. Implemented effectively, regulation will unlock investment drivers on activities that contribute to real world decarbonisation.

Notably, the IPCC states that irreversible climate change may be limited by deep, rapid and sustained global greenhouse gas emissions reduction.[33] Improved transparency and better comparability,

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[31] CETEx, How to maximise potential when introducing mandatory Paris-aligned transition plans in the UK (2025)

[32] IOSCO, Report on Transition Plans (2024)

[33] IPCC, AR6 Synthesis Report (2023)

enabling investors to understand the trajectories of companies in their portfolio will have a powerful impact on the financial sectors' efforts to support decarbonisation in the UK economy.

Industry demand

Financial institutions representing almost $34 trillion in AUM issued a collective call for governments to take stronger action on climate-related disclosures across the financial system.[34] The Environmental Audit Committee expressed concern that leaving decisions on publishing transition plans to the market alone may not change behaviour and equally recommend that the government consider requiring companies to develop and publish transition plans.[35]

The shift towards mandatory transition plans would also mark an important step in improving internal processes, provided that transition plans become part of an entity's corporate strategy. CETEx find that transition plans play a significant role in improving managerial capacity and understanding of green investment opportunities.[36] Improved management practices are also consistently shown to be associated with higher investment into and improved levels of energy and resource efficiency.

We acknowledge industry demand for reducing reporting burdens and the need to streamline reporting requirements in the UK. More broadly, some investors have raised concerns that an overwhelming focus on reporting has resulted in less resources available for climate action. With transition plan requirements, the focus must remain on the *process* of an entity transitioning, rather than the obligation to disclose. Reporting requirements on transition plans should be proportionate, with flexibility given to an entity to disclose their own strategy for transitioning. To support this, the **government should clarify that transition plans can be cross-referenced under UK SRS S2 and IFRS S2, in line with a building blocks approach.** Further opportunities to streamline annual reporting could be to keep policies and governance documents that are unlikely to change annually (or updated only when significant changes occur) in a corporate library, and cross referenced.

Elements of transition plan disclosures

In terms of where transition plan disclosures should be contained, the PRI interviewed and surveyed approximately 50 UK investors and found no clear preference between embedding within annual strategic reporting, or a standalone transition plan. For those who supported embedding transition plans within annual strategic reporting, the benefits were that all relevant information would be captured in one place and integrated within wider decision-making frameworks. Some preferred joined-up thinking between the financial and climate risk management, enabling links to CapEx,

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[34] To support their own net zero commitments, they call on governments to take a whole-of-government approach to '*require the public disclosure of 1.5°C pathway-aligned, science-based, and independently verifiable climate transition plans for listed and large non-listed companies, asset managers, and regulated asset owners*.' The Investor Agenda, 2024 Global Investor Statement to Governments on the Climate Crisis

[35] House of Commons Environmental Audit Committee, The financial sector and the UK's net zero transition: Government Response to the Committee's First Report (2024)

[36] CETEx, How to maximise potential when introducing mandatory Paris-aligned transition plans in the UK (2025)

governance, oversight and metrics. Embedding a transition plan disclosure within existing requirements would also reduce duplication of reporting.

Those who supported a transition plan being disclosed as a separate standalone strategy noted that it would undergo more board scrutiny and have a stronger governance process around it. This would allow the board to go into more detail on the transition plan, than a typical annual reporting document, with an internal team responsible for creating and delivering it. Investors noted that they were more likely to get questions on transition plans than TCFD, with more engagement on the narrative of a transition plan rather than metrics within TCFD reporting.

Some were concerned that a transition plan would end up being buried in financial reporting, which risks the transition plan requirement becoming more of a disclosure obligation than embedded in company strategy. Disclosing a separate transition plan document would enable better articulation of the strategy. Others noted that lengthy annual reports were unhelpful and created difficulties in locating the required information and would prefer to engage directly with a transition plan strategy.[37] Some investors would expect larger / higher impact companies to have a standalone transition plan strategy, but for smaller / lower impact companies an integrated report with a transition plan strategy embedded would be proportionate.

In practice, entities are likely to have an internal live transition plan document (with commercially sensitive information) and an external document to meet the disclosure requirement and communicate their strategy to investors and other stakeholders. Considering that transition plans serve far more than a disclosure requirement, having a separate transition plan strategy could be valuable to meet other requests or obligations to stakeholders.

Some noted that with the ultimate aim of a transition plan being an integral part of a business strategy, a more integrated model may be better placed, with mapping in between elements of a transition plan. Having a section carved out under UK SRS for transition plan reporting may be a neater solution, with entities able to cross-reference a transition plan strategy. This ensures that investors can easily access this information, regardless of where it is located.

Turning to the frequency of transition plan disclosures, there was broad agreement that a 3-year cycle seemed sensible. The notion of a company describing its transition trajectory over the medium- and long-term would not warrant an annual disclosure requirement.

Question 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?

The FCA's recent analysis on climate-reporting by asset managers, life insurers and FCA-regulated pension providers found that whilst regulation has helped firms consider climate change as a material risk and increase transparency, there were opportunities to simplify and ease unnecessary burdens

[37] For FTSE100 companies, annual reports are on average 237 pages long. Quoted Compliance Alliance, The never-ending story of annual reports (2023).

on firms.[38] Governments and regulators should have a **holistic view of sustainability reporting, and clarify how firms in scope of SDR reporting, UK SRS, and the disclosure of transition plan-related information can report efficiently under these regimes.**

As the global baseline, ISSB reporting should be treated as a foundational spine in sustainability reporting, with SDR and transition plan reporting mapped against ISSB. Considering these frameworks require disclosure on GHG emissions, CapEx and OpEx alignment, and scenario analysis, firms should be able to use one dataset to report against the different frameworks.

The PRI has called for **economy-wide implementation of the ISSB Standards across jurisdictions by 2025 at the latest**.[39] Aligning UK reporting requirements to international standards offers the transparency investors need to manage climate and sustainability-related risks and opportunities. Adoption of the ISSB standards through the UK SRS is crucial to achieve interoperability of corporate sustainability disclosure requirements – promoting comparable data across investment portfolios – and to build on existing progress in reporting on sustainability-related risks and opportunities.[40]

It is important that the focus remains on the *process* of an entity transitioning and actions taken, rather than a tick box reporting obligation. Transition plans are far more than a disclosure obligation – they are an organisation's growth narrative, licence to operate, proof of effective governance, and ability to demonstrate resilience in a changing world.[41]

Question 13: [Pension Funds] 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?

Whilst climate-related considerations are now integrated into pension scheme practices, pension fund net zero transition plans are dramatically underestimating the risks and opportunities presented by climate change, according to University of Exeter and USS scenarios. However, most pension schemes operating in the UK are relatively small, with assets concentrated in a small number of large schemes. Coupled with this, significant resources and governance budgets are needed to meet TCFD reporting obligations.

A proportionate approach, particularly for small pension schemes is key. **We caution against additional, costly reporting burdens that crowd out climate action**. The government should consider whether TCFD requirements are fit for purpose, should transition plans become mandatory. Backwards looking TCFD reporting on climate risks and opportunities could inform forward-looking transition plans, so a review may find that TCFD analysis could be superseded by transition plan requirements.

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[38] FCA, Climate reporting by asset managers, life insurers and FCA-regulated pension providers (2025)

[39] PRI's response to the FRC's call for evidence on ISSB standards (2023)

[40] PRI's response to the FRC's call for evidence on ISSB standards (2023)

[41] Aviva whitepaper, The Tipping Point for Climate Finance: Making financial flows consistent with the Paris Agreement (2023)

The Pensions Regulator, the Bank of England and other relevant regulators should have statutory mandates to embed climate and nature into their regulatory and supervisory operations.

Question 14: [Pension Funds] 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?

The PRI does not have a response to this question.

Question 15: To what extent do you support the government mandating transition plan implementation and why?

Transition plans should not be a standalone output; they should build upon existing reporting frameworks. They should be used as both a strategic tool and a practical action plan, setting a precedent for accountability and the necessary steps in the journey towards a net zero economy. For this reason, **the implementation of a transition plan is key.**

Without an implementation requirement, a transition plan risks becoming a tick box disclosure exercise that may not be embedded into wider corporate strategies. We recommend that the government phase-in requirements for all large financial and non-financial companies to **adopt, disclose and implement through best endeavours their climate-related transition plans that align with net zero by 2050, including whether and how interim targets (5-10 years) are aligned with the Paris Agreement**. 'Best endeavours' is a legal precedent in the UK, which sets out an obligation to take all steps that a prudent and determined person acting in their own interests and desiring the result would take. This implies a level of expectation, but companies or directors would not be held liable should they take reasonable steps to adopt, disclose, and implement their transition plans.

This precedent is similar to Article 15 of the Corporate Sustainability Due Diligence Directive (CSDDD), which requires in-scope companies to adopt and put into effect transition plans, which aim to ensure, **through best efforts**, that a company's business model and strategy are in line with efforts to limit global warming to 1.5°C. Though this requirement is subject to revision following the European Commission's Omnibus I proposal, it represents an opportunity for the UK to demonstrate international leadership in transition planning policy.

Question 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?

Market mechanisms and voluntary transition plan disclosures have led to important progress on the transition. The Climate Action 100+ programme demonstrates that **investors want to understand companies' readiness to transition**. Market mechanisms have set a welcomed foundation for transition plan requirements to level the playing field.

However, there are limitations to existing market-based approaches. These include time horizons from transition risks occurring beyond the usual business, financial and policy cycles; backward looking data that is unable to accurately estimate future transition risk and lack of forward-looking techniques to measure risk.

The UK's robust legal frameworks and progressive policies should be further enhanced to support sustainable innovation and market mechanisms.[42] This longer-term regulatory foresight is crucial to ensuring that the UK attracts and retains sustainable investment opportunities. With transition plan requirements in place, this sends a strong and clear signal that the UK is an attractive, stable destination for low-carbon investment – in line with aims of the Modern Industrial Strategy.

As the Transition Finance Market Review has emphasized, the market works within the parameters set by policy, law and regulatory action. Finance follows incentives in the real economy, as that is what drives the perception of future returns. This highlights the need for a **joined-up approach**, as without the regulatory framework in place it is unlikely there will be a widespread shift in incentives through the economy necessary to drive the transition.

Existing market mechanisms could do with the added impetus of regulatory requirements to level the playing field and accelerate the transition. Fundamentally, market measures and legal requirements make up a crucial part of the broad suite of policies needed for the transition, alongside fiscal measures and standards. When combined, market measures and legal requirements offer a powerful and dynamic bottom-up to top-down approach to encourage a whole-of-economy transition.

Question 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?

The PRI supports mandating requirements for transition plans that align with net zero by 2050. The benefits of setting a minimum baseline, improving comparability, and creating an enabling policy environment for transition plans are strong.

However, we caution against mandating alignment with a 1.5°C pathway, which veers into instructing investors to invest in a certain way. The ambition of the Paris Agreement should be retained, so we recommend that government introduce requirements for entities to **adopt, disclose and implement through best endeavours climate-related transition plans that align with net zero by 2050**, **including whether and how interim targets (5-10 years) are aligned with the Paris Agreement.** The focus should be on date (net zero by 2050), rather than temperature (1.5°C), with temperature being harder for companies to control. Transition plans aligned with net zero by 2050 can link to the government's Carbon Budget Delivery Plan, which improves coherency and long-term policy clarity.

There are many climate sensitivities, technological and policy uncertainties, and interdependencies which will impact companies and investors abilities to achieve a 1.5°C pathway. Some companies are

[42] King's College London, Accelerating Transition (Essay: Pioneering a sustainable future: A whole-of-economy approach to climate finance in the UK, David Marriage, PwC) (2025)

transitioning in line with a 1.5°C pathway because of the specific sector or market that they are in, whereas other companies may not have the policy support or market conditions to feasibly transition to a 1.5°C pathway. Transition plans and sectoral pathways can help articulate these dependencies. However, it is only when governments advance real economy policies that align with 1.5°C that they can begin to phase in transition plan requirements on a 1.5°C pathway for entities.

The value of a transition plan lies in knowing what steps a company is taking on the transition. In an era of disruption and uncertainty, investors can adopt a strategic ambition aimed at stabilising temperature rise to avoid the most catastrophic climate outcomes and financial risks. A long-term focus on climate-related risks and transition opportunities can position investors to safeguard beneficiary interests in a rapidly changing world.

Policy uncertainty

Investors have a financial interest in long-term warming being limited as low as possible, given that temperature stabilisation at or below 1.5°C significantly reduces the risks of economic disruption, supply chain shocks, stranded assets, and market instability.[43] Many investors implement their management of climate risk by articulating a range of net zero targets to calibrate near- and long-term ambition and assess progress. These targets establish a common framing of desired investment portfolio outcomes over time and enable strategy-setting performance assessment. With delays in government policy implementation, investors might need to rearticulate net zero targets periodically with reference to updated emission pathways that recognise the delayed transition, overshoot beyond 1.5°C, and the need to stabilise temperatures through net negative emissions in the interests of managing systemic risk.

Policy uncertainty can slow solutions being scaled, so policy engagement has emerged as one of the most critical levers for investors seeking to manage systemic risks and safeguard the long-term interests of beneficiaries in a changing climate.

Question 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.

Investors and corporate use a range of standards and methodologies for developing and monitoring climate-aligned targets and transition plans. Requirements to conduct scenario analysis exist within TCFD and ISSB frameworks. Target setting initiatives like the Science Based Targets initiative (SBTi) anchor climate commitments in scientific rigour, credibility, and accountability. Many risks are unquantifiable and unidentifiable, so scenarios are a crucial technique to address this.

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[43] PRI, Investor Briefing: Institutional investor action on climate risk as the world approaches the 1.5°C limit of the Paris Agreement (2025)

The most common scenarios in use worldwide have been developed by NGFS (Network for Greening the Financial System), which was the first consistent framework to assess climate risk at the macro-level. More recently, USS and University of Exeter developed short-term, narrative-based scenarios designed to be a more decision-useful scenario.[44] Many financial institutions use NGFS scenarios as a baseline to meet regulatory expectations and stress testing analyses but then develop their own scenarios for portfolio management towards sustainability targets. Long-term linear pathways that understate the risks and opportunities of the transition are less useful for entities undergoing the transition planning process.

Some scenarios have a relatively low level of applicability for all investors for a range of reasons – long-term dimensions do not match time horizons of investors or monetary policies; limited coverage of natural disasters and their transmission channels; consideration of compound risks; the lack of interplay of physical transition risk; and the lack of consideration of supply chains, trade and financial networks for risk cascades. For this reason, we do not recommend that the government mandates a specific pathway, standard, or methodology within transition plan requirements.

Instead, the government could balance a principles-based approach with prescription within transition plan requirements. The FCA's Sustainability Disclosure Requirements (SDR) regime refers to a '*robust, evidence-based standard that is an absolute measure of environmental and/or social sustainability*.' The methodology or approach may be based on, or determined by an authoritative body, industry practice, or a proprietary methodology. The FCA note that different types of standards may be used, ranging from general environmental and/or social criteria, taxonomy-based, or emissions profile. The government could replicate this approach by requiring transition plans to align with government-endorsed science-based target setting criteria, independent and credible transition pathways, or national climate commitments (such as carbon budgets).

Question 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?

Investing in green projects, firms, or corporates which are already green will not be sufficient for the transition. Some high emitting or hard-to-abate sectors will play an important role in developing and investing in the solutions required by the broader economy in their transition plans and cannot be left out of scope. Importantly, these sectors will need investments to successfully transition to a low-carbon future through scaling climate solutions to replace high-emitting technologies, products, and services, and accelerated managed phaseout of high-emitting physical assets.[45]

The NZAOA has published Target-Setting Protocol intended to help Alliance members set science-based targets on their financed emissions to achieve net zero GHG emissions in their investment

[44] USS and University of Exeter, No Time to Lose – New Scenario Narratives for Action on Climate Change (2023)

[45] GFANZ, Financial Institution Net-zero Transition Plans (2022)

portfolios by 2050. The guidance includes an expectation to set targets on sub-portfolio emissions (with sub-portfolio reduction range for 2030), sector, engagement, and financing transition.

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

The PRI does not have a response to this question.

Question 21: [Climate Adaptation and resilience alignment] 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?

There is clear value in including adaptation and resilience considerations in transition planning. Transition plans can serve as strategic frameworks that enable organisations to systematically assess and manage physical climate risks. When these plans integrate physical risk analysis into core business strategy, they help companies identify location-specific vulnerabilities and enhance critical decisions related to asset valuation, risk pricing, and capital allocation. This structured approach provides a forward-looking method for managing physical risk exposure while highlighting any necessary adaptation measures and investments in resilience infrastructure.

Recently published technical guidance from NGFS highlights the benefits of integrating adaptation and resilience in transition plans. 43 companies with established transition plans demonstrated more credible approaches to accounting for physical risks, leading to better-informed operational, supply chain, and investment decisions, particularly important given that climate risk response often requires fundamental business transformation. Transition plans which incorporate climate resilience considerations can serve as critical instruments for long-term adaptation strategy, enabling the development of specific, proactive measures that protect both organisational resilience and financial performance.

Question 22: [Climate Adaptation and resilience alignment] 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 NGFS guidance mentioned in our response to Question 21 provides a structured, graduated approach to integrating adaptation and resilience in a transition plan and provides guidance on how to start developing metrics and targets. This framework is designed to be practical and flexible, accommodating institutions' varying capacities, readiness, and contexts.

The guidance advocates for transition plans to evolve beyond mitigation-only approaches into comprehensive frameworks addressing broader resilience objectives. A standout feature is the "maturity pathway" approach for developing metrics and targets for implementation. For financial institutions specifically, the guidance suggests deriving adaptation metrics from existing risk management frameworks, incorporating climate risks into credit, operational, market, and liquidity risk management. This aligns with disclosure standards IFRS S1 and S2 that expect physical risk impacts to be linked to financial impacts. The guidance also includes real-world case studies and a hypothetical example from the International Transition Plan Network (ITPN) showing how adaptation can be integrated across all five pillars, making it actionable for institutions.

The PRI cannot comment on enhanced risk planning in line with a 2°C and 4°C global warming scenario. However, we note that investors have a financial interest in long-term warming being limited as low as possible, given that temperature stabilisation at or below 1.5°C significantly reduces the risks of economic disruption, supply chain shocks, stranded assets, and market instability.[46]

Question 23: [Nature alignment] 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 should be considered in the government's transition plan policy from the onset. This could accelerate investor and company action on nature by providing greater policy clarity and consistency.

Economic activities have an impact on nature, with estimates suggest that $7 trillion is invested annually in economic activities that have direct negative impacts on nature.[47] Nature loss presents significant risks for businesses, investors and the wider economy. Impacts and dependencies on nature can materialise into risks that investors should address to protect clients and beneficiaries.

Nature and climate are inextricably linked. Agriculture, forestry and other land use (AFOLU) contributes to 13% of CO_2 emissions globally.[48] Conversely, climate change is a key driver of biodiversity loss. An integrated approach to transition planning that considers multiple systemic risks has the potential to maximise synergies, avoid unintended consequences, and build resilience.

As highlighted in PRI's Nature Policy Roadmap, nature transition plans can be an effective means for institutions to orient their strategies and operations to align with the goals of the Global Biodiversity Framework (GBF). Regulators' clarifications should provide investors and companies with sufficient discretion to incorporate nature-related factors into their decision-making processes as needed and consistent with fiduciary duties and achieving business objectives.

The steps noted in the consultation to support organisations transition to nature positivity is a proportionate and agile way are measures that PRI strongly supports.

- **Disclosure – considering the integration of nature transition disclosure frameworks:** We welcome the mandate for mandatory disclosure of risks, impacts and dependencies on nature by large and transnational companies and financial institutions, in alignment with the GBF. All investors need sustainability-related information to inform their assessment of

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[46] PRI Investor Briefing: Institutional investor action on climate risk as the world approaches the 1.5°C limit of the Paris Agreement (2025)

[47] UNEP (2023), State of Finance for Nature 2023

[48] IPCC Sixth Assessment Report (2023)

companies' risks and opportunities, but investors also increasingly need information to assess and interpret a company's impacts on and alignment with sustainability goals and thresholds. In this context, and in line with the IFRS' "building blocks" approach, regulators should consider adopting disclosure requirements additional to the ISSB standards that capture further information on organisations' sustainability impacts, based on the TNFD disclosure recommendations.

- **Sectoral pathways – supporting the development of market-led 'nature positive' sectoral pathways for high impact sectors:** Sectoral pathways provide clarity on how different economic actors can and should contribute to the goals of the GBF. Developing sectoral pathways also provides governments with the opportunity to define what the economic transition for nature should look like in the local context and clarify how private sector players should contribute to National Biodiversity Strategies and Action Plans (NBSAPs) and National Biodiversity Finance Plans. Importantly, sectoral pathways can help stimulate and support institutions to develop their own entity-level nature transition and strategy plans.[49] A statement of investor support, coordinated by the Green Finance Institute (GFI) and WWF-UK highlights the role of nature-positive transition pathways. These pathways can help link public spending and policy decisions that government has committed to and provide investors with the relevant information and thresholds to target.
- **Data gaps and other policies:** Responsible investors need decision-useful data to inform their investment process and reporting. As such, the PRI is supportive of the government's effort for solving nature-related data gaps. It is important to ensure that this process of solving nature-related data gaps involves meaningful engagement with investors - the users of the data, to ensure that the exercise and its outcomes are useful and fit-for-purpose. Additionally, besides sustainable finance policies, it is important to put in place complementary real economy policies including the necessary guardrails and incentive structures to encourage and reward best practice. Incentives, including subsidies, harmful to biodiversity are an important underlying driver of biodiversity loss.[50] The identification and re-purposing of harmful environmental subsidies could offer financial support towards economic activities that have a positive impact on nature. Harmful subsidies reform is linked to Target 18 of the GBF, which recommends eliminating, phasing-out or reforming incentives (including subsidies) harmful for biodiversity, in a proportionate, just, fair and equitable way.

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

We support a phased-in application of transition plan requirements, starting with UK-registered financial institutions and FTSE100 companies. This is consistent with the government's manifesto commitment and intended focus on economically significant entities.

[49] PRI, Nature Policy Roadmap: Policy recommendations for scaling up investor action for nature (2024)

[50] Kunming-Montreal, Global Biodiversity Framework, Target 18

For many companies, TCFD was the first step to understand climate-related physical and transition risks and opportunities. We recommend a TCFD-style roll out in a phased, risk-based manner that is proportionate to entities size and economic significance. In 2019, TCFD reporting was encouraged on a voluntary basis, then in 2021 TCFD reporting became mandatory for premium-listed companies. In 2022, reporting expanded to large private companies and LLPs, then phased in to large FCA regulated asset managers, insurers and pension schemes.

Considering 66% of UK companies are already disclosing transition plans on a voluntary basis, the government should now level the playing field and phase-in mandatory requirements.[51] A TCFD-style roll out for transition plan requirements would help address initial reporting challenges, whilst allowing companies across sizes and sectors to be gradually brought into scope.

This phased-in approach effectively balances investors' need for decision-useful sustainability reporting from investees across their portfolios – regardless of size and sector – and the needs of preparers earlier in their sustainability reporting journey.

Whilst 'economically significant' companies are not defined under UK legislation or regulated framework, we welcome the scope extending to large businesses whose size, market influence and economic activities give them economic relevance, but that may not be listed on the stock exchange. Should the UK government include 'economically significant' companies in legislation, it is important to set clear parameters and classifications of which companies fall in scope.

Question 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?

The PRI does not have a response to this question but recognises that with larger entities reliant on data from others, smaller companies will be impacted by future requirements on large entity disclosures. Capacity building will be needed to ensure effective implementation of transition plan requirements by preparers. Careful attention to coherency is needed in the sequency of requirements.

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

Credible and comparable transition plan requirements would not negatively impact the UK's public market competitiveness. Instead, they can strengthen investor confidence for managing climate risk and capturing growth opportunities. This is because transition plans provide a roadmap to how a company will adapt to the transition to net zero, enhancing their resilience with a forward-looking strategy rather than backwards looking disclosure.

Setting clear regulatory guardrails on transition plan expectations can help position the UK as a globally leading sustainable financial centre and an attractive destination for investment. Some

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[51] EY, UK businesses lead way with climate transition planning and disclosures (2024)

investors PRI interviewed have noted that it is certainly possible to preserve the core part of a transition plan with competitiveness, but that flexibility around the format of how the issuer discloses a transition plan would be helpful. To ensure that transition plan requirements are proportionate in scope, we recommend a phased-in application starting with UK-registered financial institutions and FTSE100 companies.

Question 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?

An unclear regulatory landscape has created nervousness around potential liability risks of disclosing forward-looking information within transition plans. Entities may also be cautious about disclosing a transition strategy that relies on policy dependencies and assumptions to deliver on their transition plan.

Client Earth's recently commissioned legal opinion on the potential liability for climate-related transition plan disclosures addresses this.[52] It shows that under existing UK law, there are enough safe harbours in place under the Companies Act 2006 to protect forward-looking statements made in transition plans. This is because transition plans make implied statements on present facts with a reasonable basis, meaning that a claim for dishonesty and/or negligence would be difficult to prove.

It is important for companies or directors to undertake a reasonable analysis on their transition plan strategy and have intentions to follow through on their transition plans. Companies or directors should demonstrate that transition plans have been developed through robust processes, based on credible data and assumptions, and subject to governance and oversight. Having requirements to align transition plans with the TPT's sub-elements embeds this robustness and therefore significantly reduces potential legal risks.

An alternative perspective on the role of asset owners and investment managers from PRI's briefing on investor action on climate risk as the world approaches the 1.5°C limit of the Paris Agreement considers the implications of inaction:

- Asset owners –including pension funds, endowments, and sovereign wealth funds– are bound by fiduciary duties. These duties require asset owners to identify, assess, and manage all material financial risks, including present and foreseeable risks from climate change to asset valuations, cash flows, and long-term portfolio stability.[53] Failure to incorporate climate-related risks into investment strategies could be at odds with those duties if it implies neglecting foreseeable threats to portfolio performance.
- Investment managers acting under contractual and regulatory frameworks are likewise expected to integrate all material risks–climate-related or otherwise–into their investment strategy and processes. While specific risk assessment methodologies vary, many managers incorporate tools such as stress testing or scenario analysis to assess how physical and

[52] Client Earth, Opinion on the potential liability for climate-related transition plan disclosures (2025)

[53] Financial Markets Law Committee (2024), Pension Fund Trustees and Fiduciary Duties – Decision-making in the context of Sustainability and the subject of Climate Change

transition risks could influence both short-term performance and long-term asset values under a range of plausible futures. Investment managers also have an interest in the stability of financial markets. By communicating transparently about how their assessment of climate risks shapes their investment judgements–including system-wide risks to economies and markets–investment managers can demonstrate good governance, comply with emerging regulation, and uphold their duty to act in the best interests of their clients.

Question 28: In the UK's wider legal framework what – if any - changes would be necessary to support entities disclosing transition plans and forward-looking information?

As demonstrated in Client Earth's legal opinion, the UK's legal framework does not need significant reworking to facilitate transition plan requirements. The requirement to disclose a transition plan should be injected into the UK's existing legal framework.

To ease the roll out of mandatory requirements on transition plans, the government could consider a relief period for the first year to support capacity building and reporting against the requirements. An additional safe harbour could also be considered for transition plans that align with credible frameworks, such as TPT or IFRS S1.

As the government has indicated a future consultation on streamlining the UK's current non-financial reporting framework under the Companies Act, is it important that clear safe harbours remain and potential unintended consequences be avoided.

The PRI has extensive analysis within A Legal Framework for Impact, examining how interpretations of fiduciary duty can be clarified to better enable investors to pursue sustainability outcomes.[54] Our UK specific report, UK: Integrating sustainability goals across the investment industry finds that because the UK legal framework relies on broad interpretation of regulation, which evolve through practice and precedent, the concept of financial interest is routinely narrowly construed and subject to confusion. Many UK investors remain hesitant to change their established practices and pursue sustainability impact goals, even when this is required to achieve financial objectives.[55] This can lead to shorter-term factors being prioritised, whilst sustainability issues, including the transition, considered as less relevant for investment decisions.[56]

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[54] The extent to which legal frameworks support investors' efforts to integrate sustainability impacts is examined in a 2021 report, A Legal Framework for Impact, authored by Freshfields Bruckhaus Deringer and commissioned by the PRI, the United Nations Environment Programme Finance Initiative and the Generation Foundation.

[55] PRI, UNEP FI, Generation Foundation A Legal Framework for Impact UK: Integrating sustainability goals across the investment industry (2022)

[56] Persad, Xu, Greening, Institutional investor behaviour and the energy transition: A complexity framework for accelerating sustainable finance from UK investors, Energy Economics (2024).

By updating standards and guidance, policymakers can provide clarity on when investors' legal duties enable or require them to consider pursuing sustainability impact goals such as invest in the net zero transition.[57]

The Financial Markets Law Committee's (FMLC) paper, Pension Fund Trustees and Fiduciary Duties: Decision making in the context of Sustainability and the subject of climate change, helps to clarify uncertainties around fiduciary duty, which in turn can help to shift trustees' practices in line with sustainability risks and objectives.[58] To facilitate this shift across the wider investor community, policymakers should integrate the findings of the FMLC paper into relevant guidance and make clear that the requirement to consider sustainability risks encompasses an obligation to consider taking active steps to pursue sustainability impact goals when this would help achieve financial risk/return objectives.

Guidance is required not just to understand fiduciary duties but also their application: this should address how investors can assess sustainability risks and impacts and how to set and pursue sustainability impact goals. Lastly to ensure that the relevant time horizons for sustainability risks and impacts are being considered, policymakers should clarify that investors should take into account not only long-term sustainability impacts but also short- and medium-term sustainability impacts, since these may affect financial risk and returns over a range of timescales.[59]

SECTION 3: RELATED POLICY FRAMEWORKS

Question 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?

The PRI will not respond to this question.

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

As a policy goal, the transition to net zero has no set formula for success. Policy makers can opt for a variety of different tools to drive the transition, depending on a wide range of interconnected country-specific factors.[60] Achieving the UK's net zero by 2050 target depends on a policy pathway that investors perceive as credible, and that policy makers should stick with. Further, scaling up investment in the UK economy is a huge feature of government plans, so a renewed focus on an

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[57] PRI, UNEP FI, Generation Foundation A Legal Framework for Impact UK: Integrating sustainability goals across the investment industry (2022)

[58] Financial Markets and Law Committee (FMLC) Pension Fund Trustees and Fiduciary Duties: Decision-making in the context of Sustainability and the subject of Climate Change (2024)

[59] PRI, UNEP FI, Generation Foundation A Legal Framework for Impact UK: Integrating sustainability goals across the investment industry (2022)

[60] Newell, A critical system thinking approach to the governance of net zero in the United Kingdom (2023)

enabling policy environment is crucial for the UK to be an attractive place for investment. Without the enabling environment in place, with aligned policy steers, a credible Carbon Budget Delivery Plan, and sectoral pathways, there is a risk that transition plan disclosure becomes a compliance burden and entities unable to fulfil their commitments.

Aligned policy steers through a whole-of-government approach

Whilst incentives, tools, and frameworks are useful for the UK's transition, there is no substitute for long-term, stable government signals. Inconsistent signals dull the indicators to the private sector around investment and government commitments.[61] Aligned policy steers should create an enabling regulatory environment and send signals to provide investors with the confidence and certainty to invest in the growth of sectors in the long-term that will drive the UK's transition. Policymakers and regulators should be able to use private sector transition plan disclosures on dependencies and assumptions as a source of information from industry on the necessary enabling environment for their plans and any current shortfalls.[62]

Investors' net zero commitments and transition plans are contingent on a clear and enabling policy framework. A whole-of-government approach to the transition is required to guide the financial sector. In the absence of strong policy incentives and consistent, clear, and continuous signals, the capacity for industry to invest in the net zero transition will be at risk.

Addressing economic externalities is also an important lever to create an enabling environment for the transition. Our research identified a number of tools that could be used to that effect by the UK government, such as:

- pricing instruments (e.g., carbon pricing and emission trading schemes);
- adopting performance standards (e.g., for vehicles, buildings and household appliances);
- setting phase-out dates for polluting sectors (e.g., unabated fossil fuel power plants) and demand-side measures for hard-to-abate sectors;
- subsidy reform (e.g., phasing out harmful subsidies);
- requiring minimum social safeguards from economic actors (e.g., decent work) and highlighting good-job externalities (e.g., increased social cohesion); and
- regulation relative to public goods (e.g. affordability standards in the housing market, data protection regulation).

The UK's Carbon Budget Delivery Plan

Investors must have confidence that governments will follow through on their commitments. Embedding a transition plan into the government's wider strategy sends a clear signal on this

[61] Aviva whitepaper, The Tipping Point for Climate Finance: Making financial flows consistent with the Paris Agreement (2023)

[62] Transition Finance Market Review, [Scaling Transition Finance: Findings of the Transition Finance Market Review](#) (2024)

commitment and closer coordination with transition planning across the economy, whilst also reinforcing the role of corporate transition plans to an organisation's resilience and future growth. The building blocks exist, and UK's NDCs should be scaled into the government's Carbon Budget Delivery Plan.

As CETEx highlight, a national transition plan (through the Carbon Budget Delivery Plan) would set a clear national strategic ambition – a compass for the transition.[63] The plan would translate this ambition into concrete, costed actions across government, and describe how the government can build buy-in and catalyse action. It could do this by coordinating private sector efforts, communicating effectively, and demonstrating commitment and accountability to stakeholders.

Considering their long-term time horizons, national transition plans can help investors identify strategic investment opportunities, as well as greater collaboration with policymakers on the enabling environment needed to unlock capital flows.[64] A credible Carbon Delivery Plan would also support the wider transition planning ecosystem as it sheds light on the policy incentives and sectoral prioritisation needed to support the delivery of national and corporate transition plans.

The government's Carbon Budget Delivery Plan should be informed by science and international norms. It should include short, medium, and long-term sustainability targets and define resource allocation. The UK government could publish its Carbon Budget Delivery Plan in line with the TPT framework to take the lead and exemplify best practice.

Sectoral pathways

From PRI's discussions with investors on how the UK's sustainable finance policy framework can promote a supportive environment to facilitate the transition, investors noted that while plans and disclosures were seen as a key ingredient to assess the credibility of corporate transition efforts, there was still a role for stronger sectoral policy initiatives. The Transition Finance Market Review finds that the lack of granular, sectoral emissions pathways to ground transition plans in operates as a barrier.

Helpful policy signals to support a transition planning ecosystem in the UK could include anchoring transition plans in sector pathways or financing roadmaps, which would provide a means of benchmarking company and activity-level transition (e.g. through TPT or a credible taxonomy) against sectoral and economy-wide milestones.

With the transition progressing unevenly, sector decarbonisation holds promise as a lever to drive emissions reductions in the real economy where carbon intensity is highest, such as in power generation, transport, cement, steel, and agriculture. Encouragingly, some of these sectors are increasingly decarbonisation-ready, meaning that lower-carbon technologies are more readily available. Investors can effectively assess progress, reduce transition risk, and direct capital towards decarbonisation solutions with clear impact by engaging with companies on detailed, science-based transition pathways for their most emission-intensive holdings.

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[63] CETEx, A handbook to strategical national transition planning: supplementary guidance and examples (2024)

[64] Aviva, Blueprints for a greener economy Creating a transition planning ecosystem (2024)

Despite the growing adoption of this approach, policy uncertainty complicates sectoral target-setting as different regions transition unevenly, creating complexity for companies operating internationally. These complexities can be reconciled by using sectoral pathways tied to recognised scenarios, along with engagement strategies that examine company efforts to develop credible transition plans.

Sectoral policies can send price signals to markets and increase the pipeline of targeted investable opportunities in key industries needed for the transition. Producing comprehensive sectoral pathways, aligned with the UK's legally binding short, medium and long-term targets to provide investors with the necessary detail as to how key sectors of the UK economy will transition, by when, and the policy tools and levers available to support and accelerate their transition. These pathways should set out the investment roadmaps required to unlock private investment, and associated tax, spending and regulatory/policy commitments to incentivise demand.

Looking ahead, national-scale sectoral pathways can help to support investors' informed decisions. When governments provide detailed, forward-looking roadmaps for decarbonising major industries–supported by consistent regulations, incentives, and infrastructure investments–investors gain greater confidence in aligning their capital with long-term climate goals. For instance, clear policy frameworks on grid decarbonisation, sustainable aviation fuels, sustainable agriculture, or negative emissions solutions can de-risk private investment. Investor engagement with policy makers to develop these sectoral frameworks can reduce the uncertainty associated with transition risk and help to ensure that asset allocations support emissions reductions on a meaningful scale. The Transition Finance Council's incoming investment playbook on sectoral transition plans should be leveraged to bridge this gap.

Good practice: Japan's approach

Japan has taken important steps in integrating the economic transition at the highest levels of government, as well as putting in place policy tools that aim to enable the transition of the high emitting sectors that make the greatest contribution to the country's emissions.

The GX League was established in 2022. It stipulates that participating companies are required to declare carbon neutrality by 2050 and also formulate and announce their transition strategies to achieve this.[65] Although voluntary, most large corporates are part of it, and it aims to cover 50% of Japan's emissions.

Japan's GX Basic Policy is a 10-year roadmap that positions the economic transition as a central policy goal: its main objectives are to develop markets in the areas of energy supply and decarbonisation, while strengthening Japan's industrial competitiveness and economic growth. The roadmap also encourages a just transition by simultaneously promoting the acquisition of new skills and the smooth movement of labour to growth sectors, including the green sector. Under Japan's GX

[65] TCFD Consortium, Transition Plan Guidebook (2024)

strategy, detailed sector-specific investment strategies for 16 key industries specify clear milestones, eligibility for GX transition bonds, and expectations for investment.

Good practice: Australia's approach

The Australian Treasury has published climate-related transition planning guidance, open for consultation and consistent with the Sustainable Finance Roadmap commitment to publish guidance on best practice transition plan disclosures before the end of 2025. The Australian Treasury is also undergoing longer-term work to assess the impact of the guidance and provide advice to government on future measures after initial guidance is issued. While transition plans are not yet mandatory, they are becoming increasingly decision-useful and future regulatory policy is expected to strengthen their role.

Australia's comprehensive, aligned approach to their overall net zero plan, regulatory guidance, and implementation is worth noting. Country-specific climate risk assessments, a national adaptation plan, country-specific decarbonisation pathways and associated target setting and sectoral planning are all complemented by its Sustainable Finance Roadmap.

Question 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?

The PRI does not have a response to this question, but notes that EMDEs may be less likely to comprehensively manage associated transition risks, which might limit their ability to attract finance. UK asset owners should not be deterred from allocating capital into EMDEs, so the development of simpler cross border structures between the UK and EMDEs could be valuable. There should also be support for EMDE businesses in setting up HQs in the UK and listing in the UK, to help overcome data limitations and provide reassurance on governance barriers.

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

The PRI does not have a response to this question.

Question 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?

Entities should undertake transition planning as a valuable exercise to understand the businesses risks and opportunities, building out its resilience to future shocks. **The focus of guidance, support and capacity building should be on the process of transition planning** – with the disclosure being the final output. Transition planning is a forward-looking exercise that should be embedded in the strategic arm of organisations. Transition plan preparers could benefit from additional guidance on ambition setting, strategy development, and implementation plans to execute their strategies (such as governance and reporting mechanisms to monitor implementation).

Considering that a host of guidance, support and capacity building exists already, with much of the capacity building done voluntarily (TPT, Net Zero Investment Framework and other target setting initiatives), the focus should turn to using the existing guidance. In setting out transition plan expectations, governments and regulators should reference these initiatives to support entities developing their transition plans. Encouraging entities to embrace the structure of the TPT to ensure the relevant information flows would be beneficial, leveraging the existing pillar approach.

The Pensions Regulator (TPR)'s working group to co-develop and test a voluntary net zero transition plan template for tailored occupational pension schemes offers an important capacity building opportunity. The government could look to replicate other industry working groups for different entities in scope to overcome any initial teething problems with the requirements.

Some investors have pointed to TCFD guidance as overly detailed, which risks a box ticking approach that is disproportionate to the regulation. Equally, transition plan requirements should not just be framed in statutory language. As planned under existing Article 19 (2b) of the EU's CSDDD, transition plan guidance should give comfort to companies that transition plans are to be achieved on a best endeavour basis, and help companies navigate situations where compatibility with the UK's net zero goals depend on external dependencies outside of their control.

Policymakers should clearly articulate their expectations for transition planning practices and coordinate with other regulatory authorities who will develop transition plan expectations. The approach should be comprehensive and holistic. Alignment with other policies is therefore crucial, and the FCA should consult on its approach to transition plan disclosure requirements for listed companies swiftly.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the UK government on transition plan requirements in the UK.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org