

Transition Plan Taskforce

Overview of recommendations

May 2023



TPT Transition Plan
Taskforce



Why do Transition Plans matter?

TPT

Transition Plans are the next step in the private sector climate journey.

The private sector has become increasingly aware of exposures to climate-related risks and opportunities. In response, many companies and financial institutions have defined climate-related targets, including entity-level net-zero pledges.

Companies now need to develop strategies for how they plan to deliver on their climate objectives whilst addressing their identified risks and opportunities.

High quality transition plans are a tool that enable companies to overcome that challenge. They allow:

- **Management teams** to develop, communicate and operationalise their climate strategies.
- **Investors** to assess the credibility of their client's transition strategy, incentivize climate ambition and manage risk-exposure.
- **Insurers** to make more informed underwriting decisions.
- **Corporates** to manage climate risk exposure and carbon intensity of their value chain
- **Regulators and policymakers** to support market integrity, consumer protection and financial stability
- **Civil society and retail investors** to assess the integrity of a company's actions

However, initial iterations of climate transition plans have demonstrated inconsistencies in quality and often exhibit a shortage of detail. To address this, guidance is required to outline the key elements of a gold standard transition plan



Overview of the TPT

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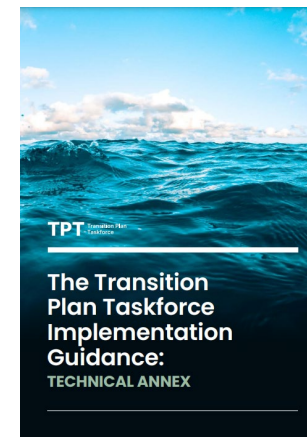
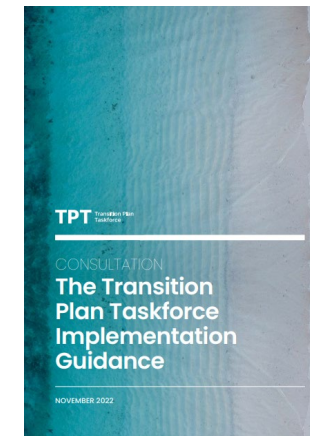
The TPT was launched by HM Treasury to develop a gold standard for transition plans for finance and the real economy.

Drives the transition by ensuring that financial institutions and companies prepare rigorous transition plans and support efforts to tackle greenwashing.

Brings together leaders from industry, academia and regulators, and coordinates with international efforts.

Informs future regulation. The FCA is actively involved and will draw on its findings to strengthen disclosure rules for listed companies, asset owners and asset managers.

The UK Government has also committed to consult on transition plan requirements for large public and private companies.¹



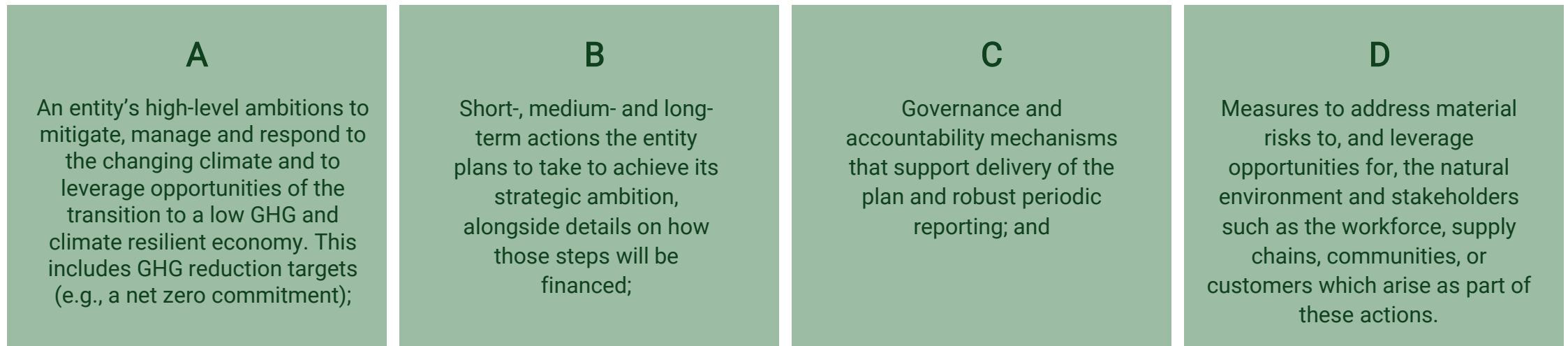
¹ See [FCA Primary Market Bulletin December 2022 / No. 42](#) and [HM Government 'Mobilising Green Investment' March 2023](#)



Definition of a Transition Plan

A transition plan is integral to an entity's overall strategy, setting out its plan to contribute to and prepare for a rapid global transition towards a low GHG-emissions economy.^{1, 2}

A good practice transition plan should cover:



¹ In a manner that is consistent with its constitutional documents and the duties of its directors and senior managers.

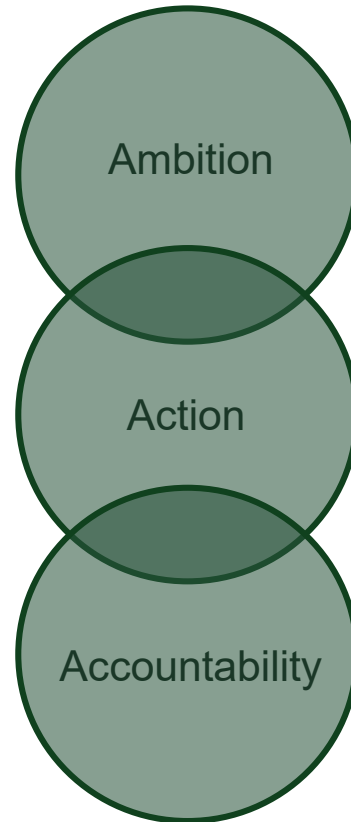
² Transition plans should reflect the urgency to act. An entity's transition plan should therefore be informed by both national commitments and the latest international agreement on climate change. This should also include relevant commitments made by jurisdictions in which the entity operates (i.e. Nationally Determined Contributions submitted under the Paris Agreement). For entities headquartered in the UK, this means that a transition plan should explain how the entity has taken into account the UK's legal commitment to reducing GHG by at least 100% of 1990 levels (net zero) by 2050 and the interim targets defined in the Sixth Carbon Budget.



A Strategic and Rounded Approach

The TPT also recommends that entities consider the full range of levers at their disposal to contribute to and prepare for an economy-wide transition to net zero. This will help avoid potential unintended consequences such as 'paper decarbonisation' with limited real world impact.

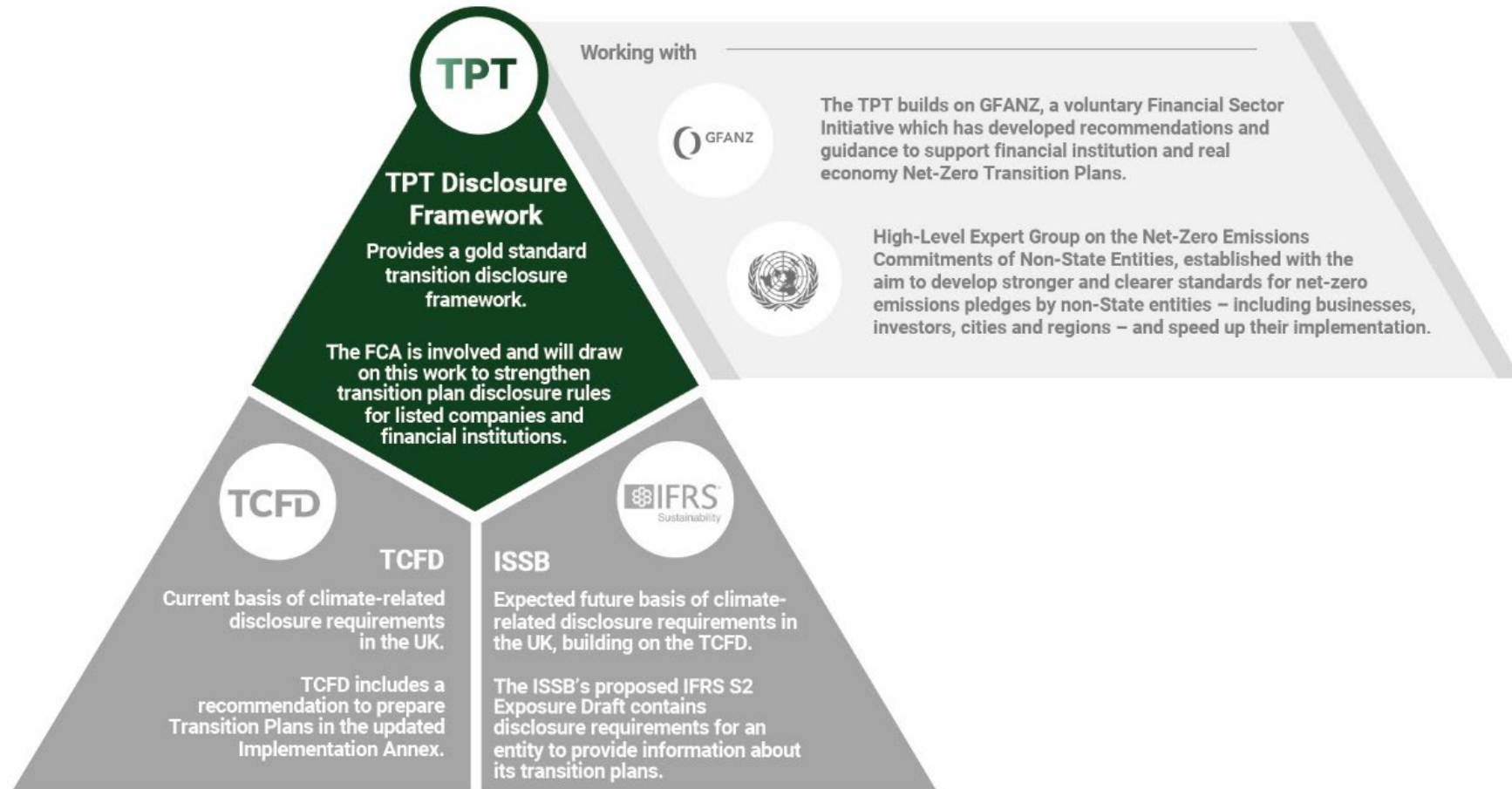
Three principles for credible transition plans



Contribute to and prepare for a rapid and orderly economy-wide net zero transition

Focus on concrete actions which emphasise the short-term and strive for resilience

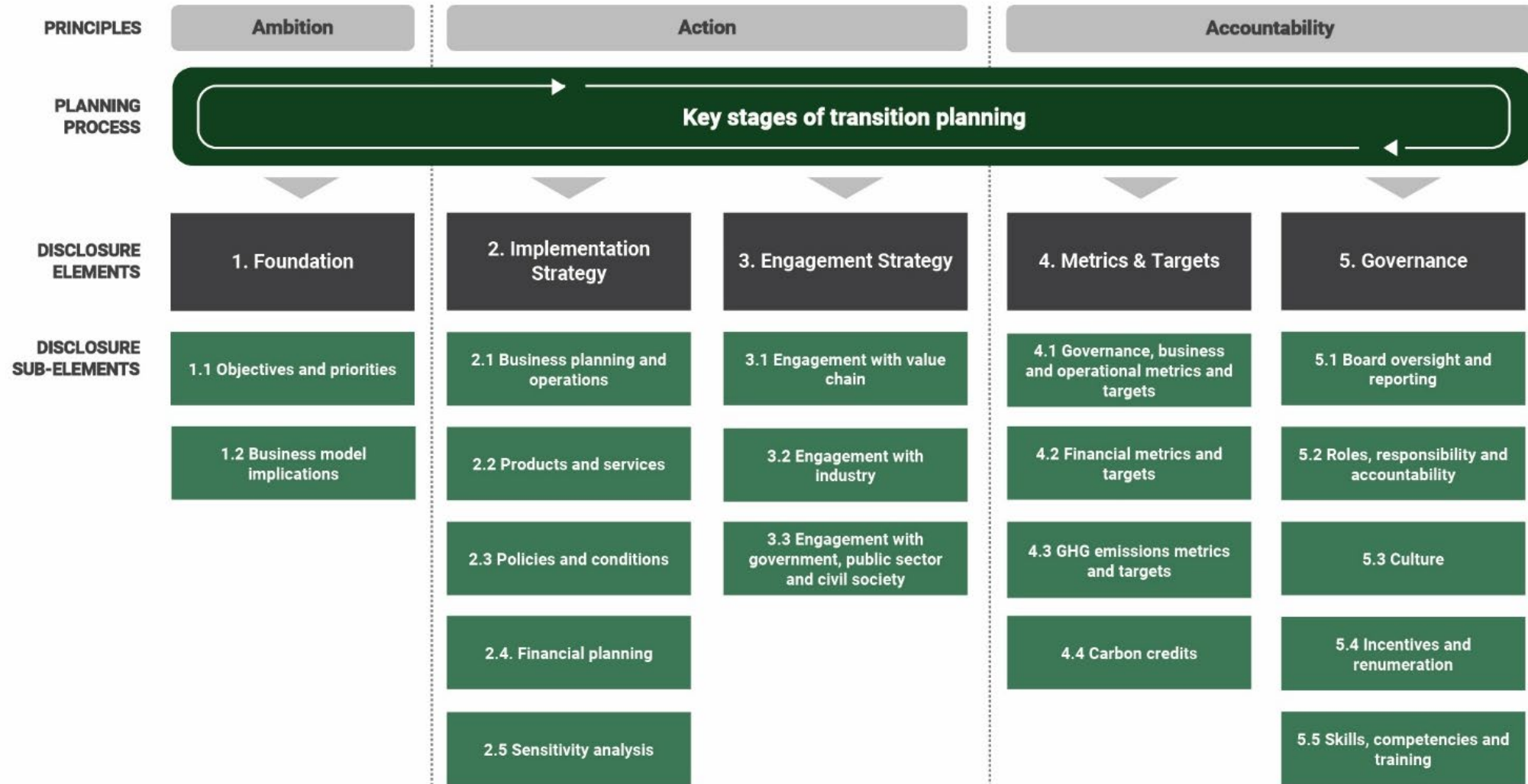
Enable delivery of the plan through clear governance mechanisms along with consistent, comparable and decision-useful reporting and verification





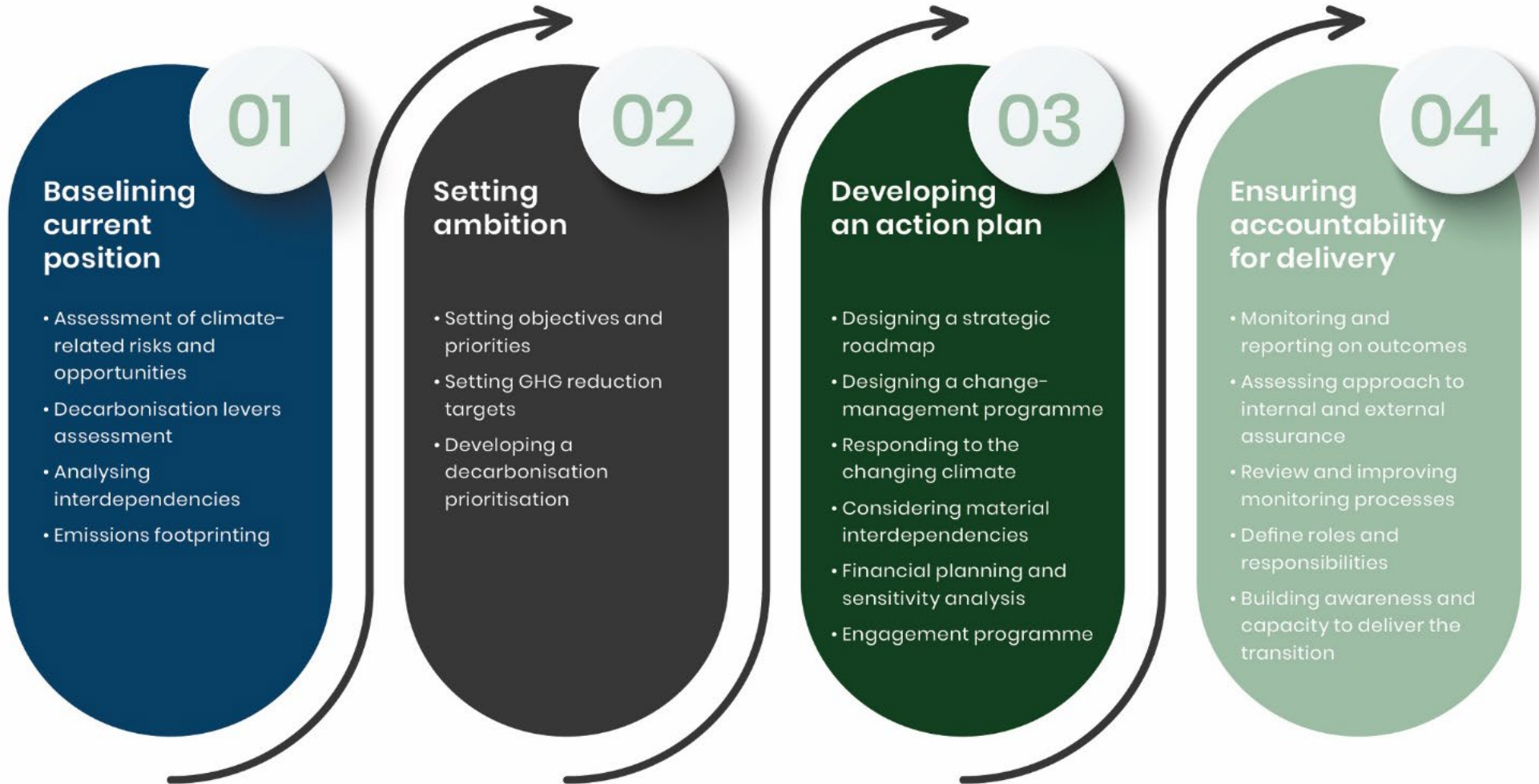
Framework structure

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Four stages to preparing a transition plan





Engaging with other key international initiatives

Our aim is to work with partners to help ensure that there is international consistency on the understanding of **what a transition plans is and what it can do** across these groups.

International Regulatory Networks



Transition Finance working group is assessing the value of Transition Plans to micro-prudential supervisors.



FSB intends to look at Transition Plans from a financial stability perspective in 2023.



IOSCO Sustainable Finance Taskforce is exploring work on Transition Plans in 2023.

Multilateral Forums



SFWG recommends transition plans as key principle for transition finance



2023 Japan presidency is prioritising transition finance

Other Key Initiatives and Jurisdictions



Follow-up to UN High Level Expert Group on Net-Zero Emissions Commitments of Non-State Entities



New ESRS reporting requirements, potential forthcoming EBA mandate on transition plans, and IPSF work on transition finance



Engagement with jurisdictions interested in or considering transition planning requirements – for example, hosting events in Japan and Australia



Areas of further work

- Sector Guidance to support disclosures against the sector-neutral framework
- Established three focus topic Working Groups to look at:
 - Just Transition
 - Nature
 - Adaptation
- Scoping work to support SMEs on their journey to producing transition plans
- Consideration of the application of transition plans in Emerging Markets and Developing Economies