



TRANSITION PLAN REQUIREMENTS

Issued 17 September 2025

ICAEW welcomes the opportunity to comment on the Transition Plan Requirements consultation published by the Department for Energy Security and Net Zero on 25 June 2025, a copy of which is available from this [link](#).

We recognise the need to take urgent action to transition to a low-carbon economy and support the government's view that transition planning is a meaningful element to tackling the climate crisis. Transition plans provide investors with decision-useful information on climate-related risks, opportunities and strategic responses, helping to allocate capital effectively.

In respect of developing and disclosing a transition plan, ICAEW recommends a phased introduction of requirements, starting with a "comply or explain" model but with a view to mandating compliance in the future. This allows entities time to build capacity and enables government to assess the policy's effectiveness before mandating. We endorse the use of the draft UK Sustainability Reporting Standard S2 *Climate-related Disclosures* for transition plan disclosure in annual reports. We also support entities having the flexibility to publish a separate standalone transition plan outside of the annual report and believe the Transition Plan Taskforce Disclosure Framework has a role to play in this regard. In time, and based on an assessment of the benefits of standalone plans, the UK Government could consider whether to require publication of a standalone plan by certain entities.

We oppose using the FTSE 100 as a threshold for mandatory transition plan disclosure due to its misalignment with emissions and economic significance. Instead, thresholds should align with future UK SRS reporting and also consider emissions-based criteria.

We do not support a regulation mandating entities to implement their transition plans. We consider market mechanisms such as investor pressure and stakeholder scrutiny to be more effective and less burdensome than regulation.

In our view, the greatest challenge lies in developing credible transition plans, not in disclosing them. We therefore see a need for more guidance, education, and support for entities, especially around physical climate risks and adaptation.

Achieving net zero by 2050 requires a whole-economy approach, including sector pathways and enabling policies. ICAEW urges government-business dialogue to address dependencies and barriers.

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This ICAEW response of 17 September 2025 reflects consultation with the Sustainability Committee and a working party made up of sustainability, corporate reporting and assurance experts. Sustainability describes a world of thriving economies and just societies based on what nature can afford. Members in practice, in business and private individuals all have a role to play if sustainability goals are to be met. The work being undertaken by ICAEW in this area is to change behaviour to drive sustainable outcomes.

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KEY POINTS

FOREWORD

1. We are delighted to see the UK Government publish its three highly anticipated consultations relating to transition planning requirements, UK Sustainability Reporting Standards and assurance oversight. While we are commenting on each of the consultations individually, we offer below a number of overarching remarks.

FINANCIAL RESILIENCE AND LONGER-TERM PROSPERITY: WHERE IT ALL STARTED

2. In his 2015 speech [Breaking the Tragedy of the Horizon – Climate Change and Financial Stability](#), the then-Governor of the Bank of England and Chair of the Financial Stability Board (FSB) Mark Carney spoke of how climate change poses a unique challenge to financial stability due to the long-term nature of risks falling outside typical decision-making horizons. Carney's speech was a catalyst for financial conversations around climate risk.
3. A decade on, with provisional statistics confirming the summer of 2025 as the warmest on record in the UK, it is important to refocus on the fundamental issues behind these consultations: the threat of financial instability if climate-related, and broader sustainability-related risks are not addressed. As Carney said:

“The combination of the weight of scientific evidence and the dynamics of the financial system suggest that, in the fullness of time, climate change will threaten financial resilience and longer-term prosperity.”

This warning is reiterated in the Office for Budget Responsibility's July 2025 [Fiscal risks and sustainability](#) report:

“Climate change poses significant risks to economic and fiscal outcomes in the UK.”

4. Transparency on the risks and opportunities faced by businesses is essential. The right information leads to better pricing of assets and avoids sudden, major collapse. The consultations, relating directly to the provision of the right information to financial markets, are critical to the resilience of businesses and the growth of the wider economy.

TIME FOR THE UK TO LEAD WITH CONVICTION

5. Shortly after, the FSB established the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD's 2017 recommendations formed the basis for the architecture of the inaugural IFRS Sustainability Disclosure Standards (ISSB Standards) published by the International Sustainability Standards Board (ISSB) in 2023. In July 2023 the FSB announced that the work of the TCFD had been completed, with the ISSB Standards marking the “culmination of the work of the TCFD”. Having fulfilled its remit, TCFD disbanded in October 2023. The ISSB Standards provide a global baseline in sustainability reporting, including transition planning, with scope for jurisdictions to build on the baseline to meet their specific requirements. Transition planning is key to making the most of opportunities available from the transition to a low-carbon economy.
6. Momentum in the adoption of the ISSB's Standards is growing, with 17 jurisdictions, including Australia, Hong Kong SAR, Malaysia and Turkey having either formally announced or finalised their approach on the use of ISSB Standards; the UK is not yet one of them.
7. As well as risking the UK's position as a global leader in sustainable finance, this lack of progress is hindering inward investment and creating a barrier to growth in the UK's Professional and Business Services sector (PBS). Identified in the UK Government's Industrial Strategy as one of the eight sectors that have the greatest growth potential over the next decade, as stated in its [Sector Plan](#) “the PBS sector is central to driving climate transition and adaptation...The net zero transition is creating new demand for a wide range of climate, clean energy, and environmental services, and the UK is well placed to capitalise

on this demand due to its strong services sector and world-leading environmental and net zero commitments.”

8. While acknowledging that some reporting requirements are in place through climate-related disclosure obligations introduced in 2022, a UK-endorsed version of the ISSB’s Standards remains unavailable for use, despite the previous government’s commitment to complete the endorsement process within 12 months of the issuance of the Standards. We urge the UK Government to act with conviction and proceed at pace to ensure globally comparable, sustainability-related financial information is delivered to the financial markets. To quote Carney:

“The right information allows investors to assess which companies and assets are most exposed to climate-related risks and which are best placed to seize the opportunities from a low-carbon economy.”

9. Appropriate assurance is vital to ensuring markets are provided with reliable information. The integrity and credibility of those providing sustainability assurance is a critical ingredient. With the market for voluntary assurance of sustainability-related information growing at pace and mandatory assurance already required in the European Union, the need for a proportionate and robust regulatory framework for sustainability assurance is increasingly urgent. As Carney concluded:

“With better information as a foundation, we can build a virtuous circle of better understanding of tomorrow’s risks, better pricing for investors, better decisions by policymakers, and a smoother transition to a lower-carbon economy. By managing what gets measured, we can break the Tragedy of the Horizon.”

10. It is in this context that we have commented on the government’s package of consultations.

KEY POINTS

SUPPORT FOR THE ROLE OF TRANSITION PLANNING IN ACHIEVING GROWTH

11. We welcome the opportunity to comment on the UK Government's consultation on the theme of transition planning and to provide our views on how transition plan requirements could be taken forward.
12. We recognise the need to take urgent action to transition to a low-carbon economy and support the government's view that transition planning is a meaningful element to tackling the climate crisis. Investors value transition plans as they provide decision-useful information about an entity's risks and opportunities from climate change (and interconnection with nature) and that entity's strategic response, thereby enabling investors to allocate capital to organisations aligned with their own climate goals. Ensuring capital markets have access to transition plan information will stimulate inward investment and support broader economic growth.

DEVELOPMENT OF A TRANSITION PLAN THE GREATEST CHALLENGE

13. In our view, the greatest challenge for entities is in creating and developing a transition plan, rather than in its disclosure or implementation. Entities need support with this first step. Currently, entities are not adequately factoring physical risks and climate adaptation into their risk assessments. We believe more guidance on conducting such risk assessments, together with awareness raising and education of boards, is needed in this regard. Alongside showcasing and building on the legacy Transition Plan Taskforce (TPT) disclosure-specific material, for which the IFRS Foundation assumed responsibility in June 2024, we think highlighting legacy TPT guidance, now hosted by the International Transition Plan Network (ITPN) would be a valuable exercise.
14. We recommend a phased approach is taken to requiring entities to develop a transition plan, with the requirement initially being introduced on a comply or explain basis as set out in Option 1 of the consultation but with a view to introducing a mandatory requirement to develop a transition plan in time. A comply or explain approach gives entities the time and space to learn, experiment and prepare. This approach also provides government and other stakeholders the opportunity to assess the business and policy value of transition plans and to establish the evidence base for the introduction of a mandatory scheme in due course. We encourage the government to set out clear plans and timelines for transition plan requirements, including a move from voluntary to mandatory preparation and disclosure; early and transparent communication will enable entities to plan ahead.

DISCLOSURE THROUGH UK SRS S2 AS A BASELINE

15. Coupled with the 'comply or explain' approach to developing a transition plan, we believe the application of UK SRS S2 *Climate-related Disclosures* to be an effective baseline for the disclosure of transition plans. We believe UK SRS S2 provides the decision-useful information that investors would expect to see without placing unnecessary additional burden on entities.
16. While UK SRS S2 has not been endorsed for use in the UK as yet, in our response to the Department for Business and Trade's (DBT) simultaneous consultation on the Exposure drafts of UK Sustainability Reporting Standards (UK SRS), we strongly encourage the government to endorse UK SRS and make the standards available for voluntary use without delay. Plans to consult on mandatory implementation can then promptly follow.
17. We recognise however, that entities may wish to publish a more detailed transition plan as a standalone document and support entities having the flexibility to do so. Transition planning must not become a compliance exercise; it should be a strategic exercise, as part of an entity's strategy cycle. Therefore, entities may choose to publish a standalone transition plan outside of the annual report.

18. Where entities develop a standalone transition plan outside of the annual report, we consider there to be a role for the TPT Disclosure Framework (the TPT Framework). The TPT Framework is helpful for those companies that want to provide more granular detail not deemed to be appropriate to include in the annual report (due to not meeting materiality thresholds) and information that broader stakeholders (beyond investors) would find useful. Together with the TPT's guidance material now hosted by ITPN, we believe these combined resources are especially helpful for organisations seeking to demonstrate leadership in climate action.
19. While we believe there are merits in mandating the publication of a standalone transition plan, we recognise the additional reporting burden this would place on businesses. We therefore encourage the UK Government to initially focus on assessing the supplementary benefits of high-quality standalone transition plans. Based on the outcome of any such assessment the UK Government could consider whether to, in time, require publication of a standalone plan by certain entities.
20. With regard to the scoping of future transition plan requirements, we do not support the use of the FTSE 100 as a threshold (as per the current government's manifesto commitment) due to its lack of alignment with emissions and varying composition. We would like to see scoping requirements being aligned to those set for UK SRS requirements. The scope of any future transition plan requirements should be considered in conjunction with the non-financial reporting consultation due later this year. As well as careful consideration of what constitutes 'economically significant', we recommend consideration of an emissions-based threshold (such as those captured in the UK Emissions Trading Scheme).

MARKET ACTIVITY, NOT MANDATION, TO DRIVE IMPLEMENTATION

21. While we support a future mandate to prepare and disclose a transition plan, we do not support a regulation mandating entities to implement the plan. We believe that market mechanisms in their widest sense, including consumers and stakeholder pressure are the best levers for driving implementation. Disclosure of progress against a transition plan will enable stakeholders to judge the success or otherwise of implementation for themselves. A system of regulation that would be needed to support mandating implementation, would be significantly complex, inflexible and burdensome to implement and enforce.

A WHOLE ECONOMY TRANSITION PLAN TO ACHIEVE NET ZERO BY 2050

22. In order to achieve net zero by 2050 we encourage the government to consider what a whole economy transition plan might look like, including sector pathways and the enabling policy conditions required to transition all organisations in the public and private sector to net zero by 2050. Transition plans will play a substantial part and will need to incorporate ambitious interim targets if net zero by 2050 is to be achieved. It will be necessary for organisations to outline where they are not aligned to a 2050 net zero pathway and to articulate what they will need in terms of an enabling environment from government - be that policy, investment, subsidies etc. This could be the basis for on-going dialogue between government and business on how to achieve net zero in a way that works for business and the country.
23. In developing a whole economy plan, the UK Government must bear in mind that many impacted organisations are multi-national businesses. When preparing a transition plan, they need to be able to prepare and disclose entity-wide plans, rather than plans solely relating to their UK operations.
24. We think it is challenging and unreasonable however, to mandate a 1.5°C pathway for individual businesses. Not only are indications that global warming has already breached 1.5°C, but it is also a global temperature target which requires a systemic approach to limit warming. Without changes beyond their control, for many businesses such a pathway is an impossibility.
25. We believe climate adaptation should be an integral part of transition plans, particularly for sectors more acutely exposed to physical climate risks. Robust scenario analysis helps

companies assess their risk exposure and develop appropriate adaptation strategies. We support the 2°C global warming scenarios discussed in the consultation, noting that the recommendations of the TCFD encourage using at least one scenario that aligns with the Paris Agreement goal of limiting warming to below 2°C. However, the Office for Budget Responsibility's (OBR's) latest assessment excluded the use of scenarios above 3°C of warming due to the inherent limitations of economic modelling at higher temperatures. We therefore suggest a 3°C pathway more appropriate than 4°C as a high emissions scenario.

ANSWERS TO SPECIFIC QUESTIONS

SECTION A: 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?

26. We broadly agree with the benefits and use cases outlined in the consultation paper. Investors value transition plans as they provide decision-useful information about a company's risk exposure and opportunities from climate change and that company's strategic response, enabling investors to allocate capital to organisations aligned with their own climate goals. 84% of UK investors say they are more inclined to finance companies with clear climate transition plans over those without.¹ This also helps unlock transition finance as 79% of financial institutions cite a lack of information about corporate-level transition planning as a barrier to investment.²
27. With access to more information available to investors and financial institutions on an entity's climate strategy, the measures envisaged in this consultation would enable investors to tilt portfolios towards climate leaders. This can lower the cost of capital for companies with strong plans (as investors/financial institutions buy into future-proofed businesses, which are also more insurable and creditworthy) and raise it for companies with no credible path (as they appear riskier in a net zero economy and less insurable). Over time, this will shift capital towards greener activities, helping to drive an orderly transition. Market discipline can thus work hand-in-hand with regulation: encouraging the disclosure of transition plans provides the information and markets then reward, or penalise, accordingly.
28. Developing a transition plan requires substantial internal work: measuring emissions, mapping dependencies, setting targets, running climate scenarios, assessing technological options, and integrating climate considerations (transition planning) into financial planning and developing a strategic response. For many companies, this will prove a beneficial process, revealing inefficiencies and opportunities. In addition, the process may surface additional climate-related risks that have not already been identified as part of the entity's enterprise risk management system, or identify them earlier, giving management a chance to address them proactively. These could include issues such as exposure to carbon pricing, potential stranded assets and supply chain vulnerabilities. The planning process will likely spur innovation – companies might identify new low-carbon products or business models while plotting their future. It may also encourage different and more productive working practices such as cross-departmental collaboration (sustainability teams working with CFOs, strategists, operations, etc.).
29. ICAEW supports the government's view that transition planning is valuable for supporting global efforts to tackle both the climate and nature crisis, while improving corporate transparency on both. As the TPT's advisory paper '[The Future for Nature in Transition Planning](#)' sets out, acting through a climate change lens alone will not be enough to address the nature crisis. There are substantive benefits from entities undertaking transition planning

¹ South Pole, 2025, [The 2025 South Pole Net Zero Report](#)

² OECD, 2022, [OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans](#)

that tackles both climate and nature together, given the likely synergies and trade-offs between the two. The paper sets out how holistic transition plans can adapt the same 'strategic and rounded approach' to cover both climate and nature: responding to risks and opportunities and contributing to a whole economy transition. We encourage the UK Sustainability Disclosure Technical Advisory Committee (TAC) and UK Sustainability Disclosure Policy and Implementation Committee (PIC) to engage with the ISSB with a view to developing globally applicable guidance in these areas to do with climate and nature-related transition plans, building upon its December 2023 education material related to nature and social aspects of climate-related risks and opportunities.

30. Organisations that have prepared and disclosed plans are already seeing the benefits by helping implementing climate strategies, communicating plans with shareholders, better risk management across supply chains and building trust with customers and clients.³ 65% of corporates think that achieving the goals in their transition plans will make them more competitive and over half of institutional investors believe that corporates with ambitious transition plans have a competitive edge.⁴

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

31. No comment.

Question 3. For users of transition plans: How do you use transition plans? E.g. if you are an investor, do you use transition plans to inform your investment strategy (both in terms of how you identify opportunities where to invest, and how you identify, manage and assess risks to investment portfolios)

32. Many investors and lenders have developed their own climate-related assessment criteria aligned with the pillars of the TCFD to screen potential investments. This is used to assess risk exposure as well as alignment with their corporate climate goals; if clients do not meet certain criteria this does not necessarily mean they are refused capital but rather a stronger client engagement is triggered to support the client in developing a robust decarbonisation plan and enable them to meet certain thresholds. Progress is then tracked annually.
33. As transition plan preparation and disclosure is not currently governed by a standard, when making information requests to assess against lending criteria, the information that is being provided by clients is inconsistent. Introducing a standard for reporting climate-related information in the form of UK SRS S2 (as well as broader sustainability information through application of UK SRS S1 *General requirements for disclosure of sustainability-related financial information*) will make it easier to collect, assess and compare progress across portfolios to allow for better decision making and unlock capital.

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

34. The major costs and challenges fall largely on the preparer side rather than on users of transition plans. The development of transition plans involves extensive internal resources as this is a strategic plan and therefore cuts across all areas of a business. Many organisations that have already developed and disclosed transition plans are large financial institutions that have sought a level of (voluntary) assurance on component parts of their plans such as on metrics. They have additionally gone through several legal reviews to ensure the information they share to markets is accurate and a fair representation of their operations. We recognise there will be a cost to entities in obtaining assurance and that such costs might extend beyond the fees charged by assurance providers, including for example internal resource allocation, system upgrades and external advisory support. However, high-quality assurance is crucial for a trustworthy sustainability reporting ecosystem. It fosters confidence in the

³ Grant Thornton, 2025, [Demystifying Transition Planning](#)

⁴ Lloyds, 2024, [Credible Transition Plans: Reporting vs Reality](#)

reliability of corporate disclosures, combats greenwashing and ensures efficient capital allocation. Ultimately, this promotes sustainable business practices, driving economic growth and resilience. We urge the government to be mindful of this when looking at future assurance regulatory regimes for non-financial information.

35. We also recognise that revisions to medium to long term plans disclosed to markets can come at a significant cost, both in terms of preparing the revised plan but also in potential reputational damage if there are significant changes that markets respond negatively to.

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

36. There are three aspects to transition plan requirements: development, disclosure, and implementation. In terms of both the development and implementation of plans, it is not clear what other jurisdictions are doing. It would be helpful for the government to commission research on this but as a minimum we recommend monitoring developments in the European Union (EU) and other jurisdictions that are more progressed in transition plan requirements. For disclosure we believe the clearest path to alignment is through international adoption of IFRS Sustainability Disclosure Standards as a global baseline. In the UK, this will be in the form of endorsing UK SRS.
37. The IFRS Foundation's latest update on jurisdictional adoption of the International Sustainability Standards Board (ISSB) Standards⁵ shows that 36 jurisdictions have adopted or are taking steps to introduce the standards into their regulatory framework. With the TPT Framework being derived from IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* and the IFRS Foundation having now adopted the TPT Framework into its suite of guidance, any UK transition plan requirements should be well-aligned with other jurisdictions following ISSB Standards.
38. Appendix A shows a list of non-UK entities that have published a climate transition plan and referenced the TPT Framework. Norfolk Southern's climate transition plan provides a good example of the overlap between various global standards, through the use of a matrix showcasing alignment including the TPT Framework, ISSB Standards, the EU's Corporate Sustainability Reporting Directive (CSRD) and the US Securities Exchange Commission (SEC).

SECTION B: 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? If you are a reporting entity, please explain whether you are applying the framework in full or in part, and why.

39. We consider there to be a role for the TPT Framework for transition plan disclosures outside of the annual report eg, a standalone transition plan. The TPT Framework is helpful for those companies that want to provide more granular detail not deemed to be appropriate to include in the annual report (due to not being material information as set out by the ISSB) and information that broader stakeholders (beyond investors) would find useful. For instance, details under the implementation and engagement strategy elements of the TPT framework, how the entity is taking a strategic and rounded approach to transition planning, thinking beyond the entity level as well as further technical details on the approach it has taken to long term planning (eg, in-depth details on scenarios and their implications).
40. While the draft UK SRS S2 does not require entities to have a transition plan, it does require disclosure of information about a transition plan if the entity has one. Having taken responsibility for disclosure-specific material developed by the TPT, the IFRS Foundation has built on the TPT Framework and produced [guidance](#) on disclosure of transition plans in

⁵ IFRS Foundation, 2025, [IFRS Foundation publishes jurisdictional profiles providing transparency and evidencing progress towards adoption of ISSB Standards](#)

IFRS S2. We therefore believe that, as a baseline, the draft UK SRS S2 is the most effective mechanism for mandating disclosure of transition plans.

41. We believe the main TPT Framework and supporting guidance now housed by the ITPN, are especially helpful for organisations aiming to prepare a robust plan and disclose a more detailed standalone transition plan. We recommend the TPT Framework and guidance be used in the preparation and disclosure of standalone transition plans that go beyond the baseline provided by the draft UK SRS S2. This approach would additionally enable a standalone plan to be updated in line with the business strategy cycle (as per guidance from the TPT Transition Planning Cycle) or in light of major events.
42. We note that only 18% of FTSE 100 companies⁶ currently use the TPT Framework in corporate disclosures with a further 22% committed to using it in the future. Further awareness-raising and capacity building could support wider adoption.

Question 7. To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is preparing for the transition to net zero? If you believe the draft UK SRS S2 does not provide sufficient information, please explain what further information you would like to see.

43. We believe information disclosed in accordance with draft UK SRS is sufficient to meet the needs of investors and capital markets; this includes the disclosure of a transition plan under draft UK SRS S2. The draft UK SRS S2, based on IFRS S2, provides a strong foundation for disclosing material information on climate-related risks, opportunities, and strategic responses. We strongly support the adoption of the ISSB's Standards as a global baseline, believing this will ensure consistency and comparability internationally. In that vein, and as expressed in our consultation response to DBT, we would like to see the draft UK SRS endorsed without delay.

Question 8. To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is adapting and preparing for the transition to climate resilience? If you believe IFRS S2 does not provide sufficient information, please explain what further information you would like to see.

44. We believe that the draft UK SRS S2 provides sufficient material, decision-useful information for investors, as the primary user of annual reports, regarding an entity's transition plan and climate resilience. However, the real challenge is not the disclosure but the preparedness of UK business in developing a transition plan. Physical climate risks are often underestimated and poorly understood and plans to adapt to them tend to be weak. Extreme weather in the UK is now the norm⁷ with heatwaves and intense rain and flooding all increasing dramatically in intensity and frequency. This results in a host of social and economic impacts. Alongside increased deaths, health issues and social disruption, there is damage to infrastructure, significant business interruptions, loss and increased costs, supply chain turmoil and reduced productivity and profitability. The UK and UK businesses are unprepared and our preparations for climate change are inadequate⁸.
45. Significant capacity building around embedding physical risk and adaptation into corporate risk assessments is needed to support robust adaptation planning. Businesses need clearer expectations and examples of good practice in this area. We recommend further signposting the TPT adaptation guidance and case studies on climate adaptation planning and how to appropriately disclose this. Companies may also make use of new initiatives such as the [Maximising UK Adaptation to Climate Change \(MACC\) hub](#) to support companies in integrating adaptation into their transition plans.
46. Moreover, to encourage and allow for entities to move towards integrated transition planning in due course, incorporating nature and broader sustainability elements, further information would be needed as the draft UK SRS S2 is climate focused. While draft UK SRS S1 covers

⁶ Deloitte, 2025, [Corporate Reporting Insights 2024](#)

⁷ Kendon et al., 2025, [State of the UK Climate](#)

⁸ Climate Change Committee, 2025, [Progress in adapting to climate change: 2025 report to Parliament](#)

all material sustainability-related risks and opportunities for entities, it does not itself include transition planning requirements. We note however, that the ISSB has an active project on this. In addition, guidance by the Glasgow Financial Alliance for Net Zero (GFANZ) and the Taskforce on Nature-related Financial Disclosures (TNFD) on nature in transition planning does provide a useful framework to build on. We encourage the TAC and the PIC to engage with the ISSB with a view to developing globally applicable guidance in these areas to do with climate and nature-related transition plans, building upon its December 2023 education material related to nature and social aspects of climate-related risks and opportunities.

SECTION B1: DEVELOPING AND DISCLOSING A TRANSITION PLAN

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

47. The key elements of a transition plan are those deemed material and decision-useful to investors. As noted by IFRS Foundation guidance and TPT guidance, the foundations of the plan should include a clear articulation of the ambition and how the plan aligns with the entity's overall strategy, including business model changes and impact on financial planning, whilst identifying the material climate-related risks and opportunities.
48. The plan should set out how the organisation intends to implement it in terms of actions, milestones and resource allocation. This should highlight how the plan has been integrated in business planning and operations, including any subsequent impact on products and services. As noted in ICAEW's joint [guide](#) with Accounting for Sustainability (A4S), investors are increasingly using capex as an indicator to assess transition plan credibility by evaluating whether or not capex has been allocated to decarbonisation and/or adaptation activities and, if so, whether the amount is realistic.
49. Metrics and targets should be disclosed, with the baseline covering material Scope 1, 2 and 3 greenhouse gas (GHG) emissions with subsequent progress using absolute and intensity GHG emissions. Disclosing how this compares with peers/industry benchmarks will help investors contextualise emissions and assess performance. Other metrics should also be based on materiality. With regard to targets, it would be useful to see evidence of science-based targets, including whether they have been validated by widely recognised, independent organisations such as the Science Based Targets initiative (SBTi). Why the targets were selected (for example, due to their alignment with international/national climate goals) and the target's objective (ie, for climate change adaptation or mitigation) is also useful information. For decarbonisation targets in particular, it is useful to identify whether they cover Scope 1, 2 or 3.
50. For investors to understand critical areas that the success of the transition plan hinges on, it is necessary for any assumptions and dependencies to be clearly articulated. Linked to this, elements of an entity's engagement strategy ought to be disclosed, articulating how they are engaging with shareholders as well as broader stakeholders, for instance policymakers to address some of the dependencies eg, decarbonising the energy system.
51. Finally, governance and accountability structures should be articulated, covering board and management oversight, the integration of transition planning into risk management and remuneration. This enables investors to assess how well the organisation is overseeing transition planning across its operations.
52. These elements mirror many of the transition plan components that were highlighted as decision-useful in IOSCO's report on transition plans⁹.

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. Please explain the advantages and disadvantages of this option.

⁹ IOSCO, 2024, [IOSCO Report on Transition Plans](#)

53. We support Option 1 as an interim step. A “comply or explain” approach provides flexibility for entities not yet ready to publish a full transition plan due to data gaps, internal capability, or validation timelines (eg, SBTi). It encourages innovation and capacity building while maintaining momentum. However, we believe there should be an aim to move to mandating preparation (and therefore disclosure under UK SRS S2) of a transition plan longer-term, under a phased approach that allows time for market readiness. This phased approach gives organisations time to build capacity and avoids a shock requirement that might result in very low-quality plans initially. It also lets regulators refine their enforcement approach and guidance based on experience from the first wave of reports.
54. This stepped approach has proven effective in other regulatory contexts. When the TCFD recommendations were published in 2017, for example, many UK companies began voluntarily aligning their disclosures with the framework, encouraged by investor demands and government support. Many jurisdictions globally began incorporating the framework, including the European Commission and the SEC. It also provided the architecture for the ISSB’s Standards. The percentage of public companies disclosing TCFD-aligned information grew from 18% in 2020 to 58% for fiscal year 2022 reporting¹⁰. The Financial Conduct Authority (FCA) took a phased approach to TCFD-aligned reporting requirements by applying the rules first to premium listed companies in 2021, then to standard listed companies, asset manager and assets owners in 2022. The UK played a leading role in the adoption of TCFD-aligned disclosures; having been one of the first movers in mandating TCFD-aligned disclosures, it was closely followed by Japan, New Zealand, Canada, Singapore and others. Transition planning preparation and disclosure could follow a similar pattern.

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? When responding, please explain the advantages and disadvantages of this option.

55. As outlined above, we support Option 2 as a future position. Mandating the preparation of transition plans, and therefore disclosure through UK SRS S2, ensures that decision-useful information is disclosed into markets in a comparable and consistent way. It promotes transparency and accountability and reduces the risk of greenwashing causing sudden reactions in the markets. Moreover, mandatory disclosures will help providers of capital fulfil their own climate commitments. Many of them - through initiatives like Climate Action 100+ or GFANZ - are pushing companies for transition plans.
56. We recognise, and share, government’s view that the introduction of transition plan requirements must not undermine competitiveness or increase regulatory burden on businesses. However, as noted in question 1, early evidence shows the market is rewarding companies with transition plans. A mandate to disclose a plan can level up standards across the economy so that no large company can gain a short-term advantage by ignoring climate action. It also avoids a situation where late-movers could undermine overall climate goals. If a subset of companies does not act until very late, that makes meeting national targets harder and could force more drastic measures down the line, something the latest OBR report shows would be economically disastrous¹¹.
57. While we support disclosure through UK SRS S2 as a baseline, we recognise entities may wish to publish a more detailed transition plan as a standalone document and support entities having the flexibility to do so. Transition planning must not become a compliance exercise; it should be a strategic exercise. Developing a transition plan enables a business to think holistically about the interrelated parts (nature and people elements) in an efficient way that is also strategic and rounded ie, considering the entity’s role in the transition. As part of an entity’s strategy cycle therefore, entities may choose to publish a standalone transition plan outside of the annual report. This standalone plan may provide more granular information than the annual report and may also be of use to a broader range of stakeholders than

¹⁰ Financial Stability Board, 2023, [Task Force on Climate-related Financial Disclosures 2023 Status Report](#)

¹¹ OBR, 2025, [Fiscal risks and sustainability](#)

investors. If a standalone plan is available, entities should have the ability to signpost to it within their annual report; this will help keep the annual report clutter free and avoid duplication.

58. Where entities choose to publish a standalone transition plan, we would encourage it be updated on a periodic basis. We recommend this is linked to the corporate strategy, integrated into financial planning, and aligned with the monitoring of other business goals. We also recommend following a similar principle to that of re-baselining GHG emissions as noted in the GHG protocol ie, if there are any significant changes to a company's operations this should trigger a new transition planning cycle and an updated standalone plan.
59. While we believe there are merits in mandating the publication of a standalone transition plan, we recognise the additional reporting burden this would place on businesses at a time when they are facing increasing regulatory burden and additional costs. We therefore encourage the UK Government to initially focus on assessing the supplementary benefits of high-quality standalone transition plans, prepared in accordance with a widely recognised best practice framework such as the TPT Framework. Based on the outcome of any such assessment the UK Government could consider whether to, in time, require publication of a standalone plan by certain entities.
60. We encourage the government to set out clear plans and timelines for transition plan requirements, including a move from voluntary to mandatory preparation and disclosure; early and transparent communication will enable entities to plan ahead.

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? These responses will support the government's review of the non-financial reporting framework.

61. As noted in our response to question 15 of our response on the draft UK SRS, we see the introduction of UK SRS, including their transition plan disclosure requirements, as a significant opportunity to rationalise and streamline the UK's climate-related disclosure landscape. Mandatory reporting under UK SRS provides a chance to reset and enable preparers to tell a cohesive story about their climate-related risks and opportunities, including their plans for transitioning to a low-carbon economy, improving the quality and usefulness of disclosures.
62. There are a number of non-financial matters currently required to be reported in a strategic report that we believe will be duplicative and unnecessary if reporting against UK SRS. This includes reporting under the Climate-related Financial Disclosure (CFD) Regulations 2022 and elements of section 172 (1) reporting under the Companies Act 2006 (CA 2006). We would also encourage the government to consider removing the Streamlined Energy and Carbon Reporting (SECR) requirements from the annual report, if the scope of UK SRS extends to entities currently in scope of the SECR requirements. This is on the basis that an entity reporting under UK SRS would be required to include relevant metrics, where material. The SECR requirements are designed to meet a broader public policy objective and so, in our view, should be presented outside of the annual report.
63. We also encourage consideration of overlaps between transition plan disclosures and the Energy Saving Opportunity Scheme and UK Emissions Trading Scheme to reduce complexity and duplication.

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

64. Pension schemes and financial institutions are already subject to TCFD reporting requirements, including the calculation of portfolio alignment metrics. Transition plans should build on this foundation rather than create parallel obligations.

65. We urge DESNZ to work closely with the Pensions Regulator and Department for Work and Pensions when considering any transition plan reporting requirements for pension schemes. Any new obligations should be proportionate based on the size and complexity of the schemes to minimise burden to comply.

Question 14. To what extent does your pension scheme already produce transition plans? What are their intended purposes, what information do they draw on, and what challenges have you encountered in developing them?

66. No comment.

SECTION B2: MANDATING TRANSITION PLAN IMPLEMENTATION

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

67. We do not support the government mandating transition plan implementation. We recognise the urgency of climate action and the importance of implementing credible transition plans. However, we are concerned about creating a legal obligation to take mandatory action to deliver on a transition plan. We believe that market activity in its widest sense, including consumers and stakeholder pressure are the best levers for driving implementation. The system of regulation that would be needed to support mandating implementation, would be significantly complex, inflexible and burdensome to implement and enforce. This would be particularly unwelcome at a time when business confidence is declining due to weakening economic conditions, global volatility and uncertainty from various directions. It also directly contradicts government's desire to reduce regulation and minimise burdens on business.
68. Mandating implementation could have unintended consequences, such as reducing ambition (to avoid liability) or discouraging voluntary disclosures. Without clear standards for what constitutes "implementation", companies may face reputational or legal risks even when acting in good faith. A more effective approach may be to strengthen expectations around progress reporting and to support implementation through guidance, incentives, and capacity building.
69. Rather than mandate implementation, disclosure of progress annually against the transition plan (through the application of draft UK SRS S2) would provide stakeholders with the information to judge for themselves the success of implementation. This would encourage implementation through transparency, market discipline and stakeholder scrutiny, rather than legal compulsion.

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?

70. A transition plan is part of an entity's strategy and entities are free to operate in the way they deem fit to achieve their strategy. Transparent reporting of their progress is a significantly more effective lever than a legal requirement to implement their strategy. When companies disclose the trajectory they are on and the gaps they need to address, it enables markets - particularly investors and lenders - to respond accordingly. This transparency allows capital providers to assess credibility and allocate resources to those demonstrating genuine commitment and performance. It also empowers civil society groups and other stakeholders to hold businesses accountable, creating reputational incentives for companies to stay on track.
71. Moreover, government support remains essential. Disclosure alone may not be sufficient to catalyse the scale of change required. Strategic public investment and the creation of an enabling policy environment can reinforce market signals. For example, if DESNZ (or an appropriate regulatory body/third party) were to undertake regular reviews of transition plan disclosures – both those in annual reports and in any standalone plans – it could lead to the

development of a benchmarking system. This would not only enhance visibility but also build an evidence base demonstrating the value of transition planning, provide examples of best practice, encouraging broader uptake and continuous improvement. These plans could also be tracked against industry pathways and targets, such as those published by the Climate Change Committee, to track progress and help the government identify other policy levers needed to improve action. The review could gather useful information on where the carbon savings are happening fastest as well as biggest blockers across sectors and industries, particularly on the dependencies of the transition plans to help design policies to enable successful delivery of transition plans that might be outside of the entity's control.

72. A range of market levers can be mobilised to reinforce delivery, including investor behaviour and stewardship practices, lender and insurer requirements, sector-specific pathways and standards, consumer demand and preferences, capacity building across industries and supply chains. These mechanisms align with the ambitions of the Financial Services Growth and Competitiveness Strategy, which emphasises the role of finance in enabling the transition to a sustainable economy. The Sustainable Finance Education Charter, for example, is one government and industry joint initiative that is an enabler of capacity building together with the ability to feedback on known obstacles and opportunities.
73. While legal mandates would provide a strong foundation, market mechanisms - if supported by robust disclosure, strategic government intervention, and coordinated stakeholder engagement - can be highly effective in ensuring companies deliver on their transition plans.

SECTION B3: ALIGNING TRANSITION PLANS TO NET ZERO BY 2050

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?

74. Through the Climate Change Act (2008) as amended in 2019, the UK has committed to net zero by 2050. Furthermore, under the Paris Agreement adopted in 2015, the UK has committed to limiting global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. There is, therefore, an expectation that by 2050 all businesses with UK operations will be aligned to the UK's net zero commitment. Transition plans will play a substantial part in attaining these goals.
75. To achieve net zero, we encourage the government to consider what a whole economy transition plan might look like, including sector pathways and the enabling policy conditions required to transition all organisations in the public and private sector to net zero by 2050. Government and industry should work together to address the constraints highlighted by business, with the government leading on the development of guidance and credible pathways where needed, including encouraging the development of credible pathways internationally and outlining how companies can choose the right pathway. It is critical that organisations demonstrate urgency in the near term and not defer action until closer to 2050.
76. It must also be recognised that multinational organisations will be captured by any UK transition plan requirements, which may have implications for their global operations, not just their UK operations. Organisations should be able to prepare and disclose entity-wide plans, rather than plans solely relating to their UK operations. Additionally, sector pathways in the UK may not always be appropriate for other jurisdictions. However, there is the potential that application of UK sector pathways in other jurisdictions could have a positive impact on global climate action.
77. To ensure the economy transitions to net zero at pace, plans will need to have ambitious interim targets. During this period, it will be important for organisations to outline where they are not aligned to a 2050 net zero pathway and to articulate what they will need in terms of an enabling environment from government - be that in terms of policy, investment, subsidies etc. This could be the basis for on-going dialogue between government and business (through trade bodies, sector forums etc.) on how to achieve net zero in a way that works for business and the country, considering the barriers, opportunities, and the policy responses to

unlock them. If this information can be aggregated, it could create a picture of what the UK economy needs to transform. Despite the challenges, business and government must be aligned on their ambitions to deliver economy or sector-wide decarbonisation to support an orderly transition.

78. However, we consider it challenging and unreasonable to mandate a 1.5°C pathway for individual businesses for a number of reasons. Firstly, 1.5°C has been breached: in 2024 the average temperature rose to 1.55°C above pre-industrial levels for the first time for a full calendar year. While the Paris Agreement defines the 1.5°C goal as a long-term average over multiple decades, scientists are warning that we are now within that period that defines long-term warming at that level. Secondly, the 1.5°C target is a global temperature target which requires a systemic approach to limit warming. For many businesses such a pathway is an impossibility without systemic changes beyond their control, for instance, decarbonisation of the energy system, transport, infrastructure etc.
79. This systemic target needs to be translated into achievable and understandable actions at the micro/entity level. Organisations have been able to develop science-based targets using SBTi and other initiatives. Currently, 50 financial institutions and 742 corporates (less than 10% of large businesses) in the UK have SBTi targets and/or commitments set according to the SBTi dashboard. While it is a positive start, more must be done to enable organisations to set and validate science-based targets.
80. Rather than mandating a temperature target, entities ought to follow international climate agreements as this will allow flexibility as the scientific consensus evolves. Entities should set ambitions that are aligned with the Paris goals and seek to deliver on plans that aim to follow this pathway.
81. Feedback loops are also an important mechanism: transition plans should disclose barriers to alignment (eg, policy gaps, infrastructure needs), which can inform government action. As Paris alignment is not within the control of a single company, plans should be transparent around assumptions, dependencies, and limitations, allowing companies to explain where, and why, full alignment is not yet feasible. Additionally, plans should articulate the levers the company is using to influence those constraints and dependencies.

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.

82. As already noted, we recommend using the legacy TPT materials, with the disclosure related materials hosted by the IFRS Foundation and the broader guidance on thematic areas and supplementary guidance hosted by the ITPN. The TPT Transition Planning Cycle and associated documents, including case studies, may be particularly helpful.
83. We would encourage flexibility in target-setting frameworks and support the opportunity to signpost a broader range of credible 1.5°C-aligned target-setting methodologies beyond the SBTi. This includes frameworks such as EPRI SMARTargets and the British Standards Institute Net Zero Pathway, offering flexibility and innovation in corporate climate strategy development.

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?

84. Hard to abate sectors have complex challenges in setting and achieving net zero targets. They generally have low adoption of targets. Challenges include high emissions intensity and complex scopes. Technological barriers include conventional electrification is often not viable due to process-specific energy needs (eg, high-temperature processes in steel and cement) and a high dependency on emerging technology like carbon capture and storage, and green

hydrogen which are underdeveloped and costly. These latter technologies require high levels of investment. With capital generally flowing to renewables and electrification, these emerging sectors are left underfunded.

85. There are also competitive barriers to implementing technologies that reduce GHG emissions for high emitting sectors, due to high fixed and operating costs. For example, green steel is a growth area for the UK, however the costs of production and price to consumers may be less competitive than global markets. Policy misalignment can exacerbate this further and lead to importing cheaper goods that have higher emissions from overseas.

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

86. ICAEW recognises that many UK-based entities operate globally and must navigate a complex landscape of jurisdictional requirements, supply chain dependencies, and varying levels of regulatory maturity. We recommend that the government adopt a flexible, internationally aligned approach to transition planning that supports global consistency while enabling UK leadership.
87. Global supply chains often present significant challenges in terms of data availability, emissions tracking and influence over suppliers, particularly in emerging markets. We would encourage companies to disclose how their transition plans apply across jurisdictions, including any regional variations in targets, assumptions, or dependencies.
88. We also support the need for capacity building and data access in emerging markets to enable more robust supply chain disclosures. We encourage the government to work with international partners to harmonise transition plan expectations and reduce the risk of regulatory fragmentation. The ISSB has a capacity building programme with international partners, including regulators and trade bodies, which could be further signposted to support report preparers. Additionally, the ITPN is supporting the international development of private sector transition planning and would be a useful source of information to strengthen transition planning across borders.

SECTION B4: CLIMATE ADAPTATION AND RESILIENCE ALIGNMENT

Question 21. What is your view on the role of climate adaptation in transition plans? Is there a role for government to ensure that companies make sufficient progress to adapt, through the use of transition plan requirements?

89. We believe that climate adaptation is an essential component of credible transition planning. While mitigation efforts aim to reduce emissions, adaptation ensures that businesses are resilient to the physical impacts of climate change that are affecting businesses and the economy now and will continue to do so. The global economy is now expected to be hit with a 17% reduction of GDP by 2050 due to emissions already in the atmosphere¹². The latest science shows that extreme weather is now the norm in the UK, with heatwaves, intense rain and flooding all increasing in intensity and frequency¹³. As the Climate Change Committee's progress report shows, the UK is woefully unprepared for climate change¹⁴.
90. Adaptation should therefore be an integral part of transition plans, particularly for sectors more acutely exposed to physical climate risks (eg, agriculture, infrastructure, insurance). Robust scenario analysis (eg, based on 2°C and 3°C pathways) can help companies assess their exposure and develop appropriate adaptation strategies.
91. As noted before, there is a need to build capacity in business on embedding physical risks and adaptation into risk management, which will then result in better disclosures. The government should encourage companies to include adaptation in their transition plans,

¹² Potsdam Institute for Climate Impact Research, 2025, [Nature study on economic damages from climate change revised — Potsdam Institute for Climate Impact Research](#)

¹³ Kendon et al., 2025, [State of the UK Climate](#)

¹⁴ Climate Change Committee, 2025, [Progress in adapting to climate change: 2025 report to Parliament](#)

particularly through guidance (such as the TPT adaptation guidance), case studies, and sector-specific examples. The government could also consider linking adaptation planning to public procurement, infrastructure investment, and resilience funding.

Question 22. How can companies be supported to undertake enhanced risk planning in line with a 2°C and 4°C global warming scenario? Are these the right scenarios? To what extent are these scenarios already being applied within company risk analysis and how helpful are they in supporting companies in their transition to climate resilience?

92. The TCFD framework encourages organisations to use a range of scenarios, including at least one that aligns with the Paris Agreement goal of limiting warming to 2°C or lower, plus a high emissions scenario (3°C+). These scenarios are widely adopted and provide a useful range for stress testing business models under plausible climate futures.
93. However, the quality and depth of scenario analysis varies significantly across sectors and company sizes. A key barrier to integrating this effectively into risk planning is the lack of internal expertise in climate scenario analysis, particularly among smaller entities and those in less regulated sectors. Many companies struggle with accessing relevant data, interpreting complex models and integrating findings into enterprise risk management frameworks. Policymakers should clarify the purpose of scenario analysis - whether it's for strategic planning, risk disclosure, or resilience building - and ensure that expectations are aligned accordingly.
94. The [Emperor's New Climate Scenarios](#) paper highlights serious limitations in current modelling practices. Many models exclude critical elements like tipping points, second-order impacts, and non-linear feedback, leading to underestimation of risk. For example, some models suggest economically benign outcomes even in a 3°C+ world, which contradicts scientific consensus that such warming could threaten the viability of human civilisation.
95. We suggest adopting 2°C and 3°C as more appropriate global warming scenarios¹⁵. Evidence from the UN suggests that under current policies global warming is on track to reach 3.1°C by the end of the century, with a 1-in-3 chance that warming exceeds 2°C by mid-century¹⁶. In addition, the OBR's latest assessment excluded the use of scenarios above 3°C of warming due to limitations in economic modelling at higher temperatures.
96. There is growing work connecting climate scenarios with economic modelling¹⁷, though this remains technically complex and often misunderstood. The government should provide practical guidance and tools to support scenario analysis, including sector-specific examples and templates. This could be done through the use of publicly available scenarios (eg, Network for Greening the Financial System, Intergovernmental Panel on Climate Change, International Energy Association, Met Office) to ensure consistency and reduce cost. Importantly, scenario analysis should evolve to reflect climate-nature interlinkages. Risks such as biodiversity loss, ecosystem degradation and land-use change are increasingly driving or amplifying climate impacts. An integrated approach is needed to ensure scenarios capture the full spectrum of risks and outcomes.

SECTION B5: NATURE ALIGNMENT

Question 23. To what extent do you think that nature should be considered in the government's transition plan policy? What do you see as the potential advantages and disadvantages? Do you have any views on the potential steps outlined in this section to facilitate organisations transitioning to become nature positive?

97. While we note this question asks specifically about nature, to achieve a fair transition, we believe nature should be considered alongside other environmental, social and governance issues. We recommend the UK establish a long-term, practical framework for integrated

¹⁵ OBR, 2025, [Fiscal risks and sustainability](#)

¹⁶ UNEP, 2024, [Emissions Gap Report 2024](#)

¹⁷ And in particular exploring the discipline of complexity economics, for example Institute for [New Economic Thinking](#) at the .Oxford Martin School and [The Oxford Martin Programme on the Post Carbon Transition](#)

transition planning that covers broader sustainability topics, for example, social equity and justice issues as well as climate and nature. We recognise that progress on climate is often ahead of other issues, and the interaction between climate and social impact often less understood, so an iterative and flexible approach is essential as markets and standards evolve.

98. Nevertheless, climate change and nature loss are interconnected challenges that require integrated solutions. Nature-related risks are rising rapidly, threatening businesses, supply chains, investment, financial stability and economic growth. Nature-related risks are a growing area of focus for ICAEW members and other professional bodies (eg, see [Why nature matters to accountants](#), a guide produced by ICAEW for the Global Accounting Alliance).
99. Integrated transition planning will be a learning curve, and various barriers exist. To help organisations continue to build capacity and move towards integrated transition planning, we support all three steps the government outlines in the consultation document. The development of 'nature positive' sectoral pathways was also identified as a priority action in an ICAEW briefing ([nature scenario analysis for resilient business](#)) which drew on a series of UK industry roundtables, including representatives from a range of sectors, including food, agriculture, water, infrastructure and finance (banking, asset management and insurance).
100. We support the view in the TPT's advisory paper [The future for nature in transition planning](#) (which ICAEW contributed to), that transition planning must go beyond climate change alone and address all major drivers of nature loss (ie, climate change, land-use change, biodiversity decline, pollution and invasive species). Successfully implemented across the economy, integrated transition planning could play a key role in achieving the UK's climate and nature commitments¹⁸, as well as supporting the government's ambitions to enhance sustainable growth and economic resilience. Integrated transition planning will also improve outcomes, transparency and risk management for organisations and investors. A key benefit for individual entities is that integrated plans allow them to address synergies and trade-offs more effectively.
101. In line with recommendations from the TNFD¹⁹, ICAEW's view is that a UK transition planning framework should allow entities to begin by developing separate climate and nature plans, considering their interactions, but with a clear goal of requiring future integration in a single plan.
102. In practice, and in line with existing TPT guidance, entities that are preparing climate transition plans need to consider nature linkages in several ways, for example:
 - Physical risks to entities from climate change driven nature loss (eg, climate change is degrading forests and other habitats, exacerbating risks from flooding, drought, erosion, fires and other hazards).
 - Emissions arising from an entity's own impacts on nature (eg, emissions from land-use change/deforestation from operations or in supply chains).
 - Use of nature-based climate solutions to support net zero goals (eg, reforestation, sustainable urban drainages systems).
103. As entities integrate climate and nature goals into a unified plan over time, they can address a wider range of issues holistically (eg, considering other physical risks arising from nature loss due to non-climate drivers and an entity's wider impacts on nature). This approach will ultimately help entities prioritise strategies that support multiple sustainability objectives and clearly disclose any resulting trade-offs, better equipping them to build resilient business strategies. Investors will also have access to improved information to help them better manage risk and allocate capital in a way that supports the transition.
104. In conclusion, we urge the government to take a future proofed approach that establishes integrated climate and nature transition planning as the long-term requirement, while ensuring it is pragmatic and proportionate. A climate-first approach has built valuable

¹⁸ Including national targets, and international commitments under the Paris Agreement, Global Biodiversity Framework (GBF) and Sustainable Development Goals (SDGs).

¹⁹ TNFD, 2024, [Discussion paper on nature transition plans](#)

momentum that must be preserved, and we must ensure current climate transition plans are given time to mature rather than rushing toward premature integration that could dilute focus. However, strong consideration should be given to nature's critical role in achieving comprehensive transition outcomes. This requires a phased, iterative approach that allows entities to develop capacity gradually while remaining adaptable to international developments.

SECTION B6: SCOPE

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

105. We do not support the use of the FTSE 100 as a scoping threshold for future transition plan requirements, as set out in the government's manifesto commitment. The FTSE 100 does not reflect the entirety of economically significant entities or high emitters. In addition, the constituents of the FTSE 100 are reviewed, and potentially change, on a quarterly or more frequent basis making it an unsuitable threshold for corporate reporting. Furthermore, the use of the FTSE 100 as a threshold is likely to negatively impact the attractiveness of the UK as a listing destination. Thresholds should be based on objective and controllable criteria, such as employee numbers, turnover, total assets or emissions.
106. We support future requirements being proportionate and focused on economically significant entities and entities where there is significant investor and public interest. With our earlier recommendation that baseline disclosure should be in line with UK SRS S2 in mind, we recommend that the scoping of any transition plan requirements should align with thresholds introduced for UK SRS reporting. An emissions-based threshold, such as those who participate in the UK Emissions Trading Scheme should also be considered.
107. We also note that the government intends to consult on broader non-financial reporting requirements later in the year and anticipate a review of existing reporting thresholds will be undertaken as part of this exercise. As set out in our response to [DBT's Call for Evidence Non-Financial Reporting](#), we believe significant rationalisation of existing thresholds is needed. As well as taking account of practical challenges, we urge DBT to consider the broader picture when revising thresholds. In particular, consideration should be given to the purpose of reporting and how the information needs of the primary users of that information are met. There should be a clear rationale behind how thresholds have been determined, and this should then be joined up with decisions on information requirements for companies falling into the various categories.

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?

108. We recognise that transition plan requirements for large entities can have significant knock-on effects on their supply chains, particularly for SMEs. While supply chain engagement is essential for achieving net zero, it must be managed carefully to avoid disproportionate burdens.
109. As noted from members who are increasingly being asked for their sustainability credentials from larger customers, they are facing significant challenges in providing the relevant information. While many SMEs already supply climate-related to larger suppliers to meet existing reporting requirements, we recognise the challenge increases when it comes to requests beyond climate. This is due to having limited resources and expertise to respond to data requests or to develop their own transition plans. Additionally, the information is being requested in different formats and levels of granularity. With a lack of standardised tools or templates for emissions and risk reporting, the process is a significant burden for many SMEs. This in turn increases the risk of being excluded from procurement processes if organisations are unable to meet disclosure expectations.

110. We encourage large entities to support their suppliers through training, tools, and collaborative initiatives (eg, supplier engagement programmes, shared data platforms) and for government to promote the use of simplified reporting templates for SMEs (such as this standard produced by Bankers for Net Zero and Broadway initiative²⁰), aligned with international good practice.
111. Additionally, a series of government-funded support schemes to help SMEs build capacity and participate in the transition would help ease the burden and facilitate a just transition. A just and inclusive transition requires enabling smaller companies to participate, not just comply. Proportionality, support, and collaboration are key.

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?

112. See response to question 24.

SECTION B7: LEGAL RISK

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?

113. Many organisations are concerned around litigation risk of transition plan disclosure. Those that have disclosed transition plans already produce significant disclaimers alongside their plans to mitigate this risk.
114. An Erskine Chambers legal opinion, commissioned by ClientEarth, highlighted the legal benefits of disclosing a transition plan²¹. Doing so can help mitigate risks related to greenwashing and directors' duties. Under UK company law, directors are expected to consider foreseeable risks to the business, including those related to climate change. A credible transition plan demonstrates that the board has turned its mind to these risks and taken steps to address them. This can strengthen legal compliance and reduce exposure to reputational and regulatory scrutiny.
115. The legal opinion also emphasised that mandating the development and disclosure of transition plans would raise the level of rigour applied by boards, encouraging more strategic and science-aligned responses to climate risk. The opinion supports the view that transparency, particularly around assumptions, dependencies, and limitations, can inform better policymaking and market discipline, without exposing companies to undue legal risk.
116. The opinion clarified that liability for misleading disclosures in periodic reporting is governed by a high threshold, typically requiring proof of dishonesty or recklessness. This provides a degree of protection for companies acting in good faith, particularly when disclosing forward-looking plans that are inherently subject to uncertainty.
117. While the Erskine Chambers opinion suggests there is not a high legal risk, organisations are heavily concerned about the legal implications of publishing plans and have engaged in several rounds of internal legal reviews to consider the risks to which they might be exposing themselves in publishing transition plans.

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?

118. We recommend consideration of the Erskine Chambers legal opinion as noted in question 27 which addresses concerns around potential liability for companies disclosing forward-looking climate-related information. The opinion, grounded in UK law, concluded that the legal risks associated with transition plan disclosure are often overstated and manageable within the existing legal framework.

²⁰ B4NZ and Broadway Initiative, 2025, [From Burden to Benefit: Streamlining SME Data Sharing to Unlock Green Finance & Economic Incentives](#)

²¹ ClientEarth, 2025, [Transition plan disclosure a climate and market imperative, not a legal trap, say lawyers](#)

119. However, the opinion is based on the assumption that section 463 of the Companies Act (known as the safe harbour provision) applies to transition plans regardless of the location of disclosure. In the instance that information is disclosed voluntarily outside of the annual report, section 463 would need to be extended to cover all transition plan disclosures irrespective of the location of disclosures (in the annual report or a standalone report) and how they are published (in an annual report or on the company website).

SECTION C: RELATED POLICY AND 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?

120. We recognise that carbon credits will be part of many entities' net zero strategies and therefore disclosure of how much an entity is relying on carbon credits to reach a net zero position is important. We also recognise that the landscape of carbon credit schemes is complex and evolving.
121. As noted in our UK SRS response, while paragraph 36 of UK SRS S2 requires disclosure on the planned use of carbon credits to meet emissions targets, we believe that information on the actual use, quality, and current holdings would also be useful. This would provide a more complete picture of how entities are managing their emissions and whether they are on track to meet their stated goals. Assuming UK SRS are endorsed for use, as implementation progresses, we encourage the government to engage with stakeholders to determine whether disclosures are meeting users' needs or whether further support and/or guidance is needed.
122. That said, we encourage companies to prioritise direct emissions reductions and use credits only as a supplementary measure. We therefore support the development of guidance on identifying high-quality credits, including standards for verification, additionality, and permanence, aligned with international standards (eg Integrity Council for the Voluntary Carbon Market (IC-VCM), Voluntary Carbon Markets Integrity Initiative (VCMI)). Transparency around carbon credit use is essential to maintain credibility and avoid greenwashing. Guidance should support consistent, comparable disclosures and help companies make informed decisions.

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

123. We stress the importance of a global baseline for disclosure and adherence to ISSB standards. Within that context ICAEW recommends that the UK Government closely monitor and learn from international approaches to transition planning through the ITPN, particularly those that balance ambition with feasibility and avoid regulatory fragmentation.
124. As also noted in our UK SRS response, we acknowledge that UK entities in international groups may face jurisdictional challenges. Particularly in the area of net zero commitments, navigating the expectations or sensitivities of other jurisdictions may pose practical challenges. Ultimately, we consider it important that jurisdictions work towards agreements on equivalence between sustainability standards. This will help minimise regulatory burdens for businesses operating across borders and support the efficient flow of capital.

Potential jurisdictions to consider

125. **EU:** The CSRD mandates detailed sustainability disclosures, including transition plans. The UK Government should be mindful of the CSRD's prescriptive nature having led to implementation challenges and may have discouraged meaningful engagement.
126. **Australia and Turkey:** These jurisdictions are among the first to implement IFRS S2-aligned disclosures. We would recommend reviewing their first reporting cycles to assess effectiveness and identify lessons.

127. **United States:** The SEC's proposed climate disclosure rules include transition plan elements but remains under review. Given the regulatory uncertainty in this jurisdiction, we suggest exercising caution when considering their approach.

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?

128. No comment.

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

129. We acknowledge that data limitations are a significant barrier to effective transition planning in EMDEs. However, this should not prevent companies from engaging in meaningful planning and disclosure.
130. Companies should disclose data gaps and limitations transparently, including how they plan to address them over time. The use of proxy data, estimates, and sector benchmarks could be promoted where direct data is unavailable, with appropriate caveats.
131. The UK should support the development of open-access data platforms and partnerships with local stakeholders to improve data availability and quality. Many initiatives such as this already exist, for instance the World Bank Climate Change Knowledge Portal. The more these databases are used the better the data becomes over time.

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?

132. We recommend the government prioritises capacity building and signposting guidance to support high-quality, credible transition planning, building on TPT materials such as TPT Transition Planning Cycle and developing case studies as this is where the knowledge, skill and experience gaps are, particularly for smaller entities and those in resource-constrained sectors.
133. As a particular area of challenge for entities, we also recommend prioritising guidance and educational materials on how to think about climate adaptation and what this means as part of its strategic and risk planning processes. Linked to this, further training on climate scenario analysis would be valuable.
134. We believe there is also a role for professional bodies and trade associations to support their members, by providing training and education on transition planning for preparers, boards, and finance teams. ICAEW has launched a Sustainability Accelerator Programme which provides short courses on transition planning, scenario analysis, risk management, and other key areas critical in preparing a transition plan and implementing other sustainability goals in organisations.
135. A database of case studies would also be particularly beneficial in sharing good practice from leading organisations, including SMEs and pension schemes. Initiatives such as the [Global Capacity Building Coalition](#) are a good example of this, as its mission is to improve availability and enhance effectiveness of climate capacity building and technical assistance for EMDEs through a knowledge hub, case studies, training and events.

APPENDIX 1

Non-UK organisations that have published transition plans referencing TPT

Organisation	Sector	Year published	Country
Autostrade per l'Italia	Engineering and construction	2025	Italy
ASM	Semi-Conductor	2024	Netherlands
E&	Technology & Communications	2024	UAE
SGSP Australian Assets	Utility	2025	Australia
Norfolk Southern	Transport	2024	USA
İşbank	Banking	2025	Turkey
Kerry	Food & Beverage	2024	Ireland
Suzano	Pulp & Paper	2025	Brazil
Trane Technologies	Manufacturing	2025	USA
Dexus	Real Estate	2025	Australia
ArmSwissBank	Bank	2025	Armenia