



TPT Transition Plan
Taskforce

Disclosure Framework

OCTOBER 2023

Foreword by the TPT Steering Group Co-Chairs

At COP26, the UK government announced its intention to become the world's first net-zero aligned Financial Centre and announced that it would launch the Transition Plan Taskforce (TPT) with the mission to produce a gold standard Disclosure Framework for transition plans. Less than two years later, the TPT has delivered on this mission, with the launch of the Disclosure Framework and Implementation Guidance.

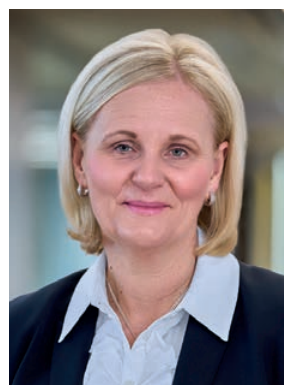
This framework has been a truly collaborative effort drawing from the wide range of talent and expertise across the market. It wouldn't have been possible without the over 100 organisations across finance, business, civil society, government, and academia which have supported its development and the over 500 organisations we engaged with to test its robustness.

The UK is committed to global net zero leadership, which is why the government is moving towards making publication of transition plans mandatory. Following the release of the TPT Framework, regulators will draw from it to strengthen existing requirements. The Government will also consult on the introduction of requirements for the UK's largest companies to disclose their transition plans if they have them.

Even as the regulatory framework for transition plans develops, their disclosure must not be viewed by businesses as merely a compliance exercise. Transition plans form a critical component of a firm's business strategy – helping to explain to their customers, shareholders and investors how they will adapt and grow as the global economy transitions to net zero.

Transition plans are not just becoming the norm in the UK, but building momentum internationally, whether that be in the US, EU, G7, or G20. The International Sustainability Standards Board's (ISSB) Standards (IFRS S1 and S2) – which are forming the global baseline for sustainability-related financial disclosure – also expect disclosure of transition plans. The TPT builds on the work of the ISSB and supports compliance with IFRS S2. The Disclosure Framework is also aligned with the transition plan guidance developed by the Glasgow Finance Alliance for Net Zero (GFANZ), and so supports international convergence on what makes a transition plan robust and credible. So, while the TPT framework has been developed in the UK, it has global applicability by design.

Over the coming decades the world will undergo one of the biggest economic transformations in living memory. Businesses which manage the risks and seize the opportunities that transformation presents will flourish. That requires a transition plan. The TPT framework provides the tools businesses need to get going, so our message is simple: it's time to turn ambition into action.



Amanda Blanc, Group
CEO Aviva Plc, Co-Chair,
Transition Plan Taskforce



Baroness Penn, Treasury
Lords Minister, Co-Chair,
Transition Plan Taskforce

Foreword from Sue Lloyd, Vice-Chair, International Sustainability Standards Board (ISSB)

As the extreme weather witnessed around the world has shown, climate change is increasingly having a very real impact on companies and capital. As a result, we know that companies have taken the decision – or are being asked – to develop plans to transition to be more climate-resilient including through lower-carbon business models. For these companies, the publication of the Transition Plan Taskforce Disclosure Framework will be welcomed as both timely and important, helping them develop and disclose targets and action plans.

In June 2023, the International Sustainability Standards Board (ISSB) issued its first sustainability disclosure Standards-IFRS S1 and IFRS S2-in response to market demand for a global language of sustainability-related disclosures aimed at meeting investor information needs.

The ISSB addresses disclosure requirements so does not require companies to put transition plans in place. However, the ISSB's climate-related Standard-IFRS S2-requires companies to disclose information about any climate-related transition plans a company has, including key assumptions used in developing these plans and the dependencies on which the plan relies.

This means that the TPT Framework provides a practical and useful complement to our Standards. It will be a useful tool for companies in developing their transition plans and informing the disclosure requirements in IFRS S2.

We welcome steps taken by the Transition Plan Taskforce to ensure this framework is consistent with the ISSB Standards and the Taskforce's strong support for the vision of a global baseline of climate-related disclosures, which will provide much needed consistency and comparability for investors and enable companies to communicate with existing and potential investors.

We look forward to continued cooperation as we help companies around the world benefit from robust climate-related disclosures.



Foreword from Mary Schapiro, Vice-Chair, Glasgow Financial Alliance for Net Zero (GFANZ)

Recognising the risks and opportunities of net-zero transition, thousands of companies have made voluntary net-zero commitments. To implement these, firms need strategic transition plans laying out the steps they will each independently take to align their core business with a net-zero future. In doing so, it is critical that firms develop plans that are credible, comprehensive, and consistent.

I applaud the leadership UK financial policymakers and private sector leaders have shown in delivering the Transition Plan Taskforce Disclosure Framework. Implementation of the TPT Disclosure Framework in the UK—and the shift from voluntary to mandatory disclosures—will play an essential role in catalysing the systemic change needed to finance the transition to a net-zero economy.

For GFANZ, 2023 is the year of the transition plan. As an increasing number of financial institutions voluntarily prepare and disclose transition plans, GFANZ is working with policymakers globally to advance consistent approaches to transition planning, drawing on the voluntary GFANZ framework.

It is by design that the TPT Disclosure Framework identifies the same key components of a credible, comprehensive, and consistent transition plan as GFANZ, and that the TPT's sectoral guidance for financial sub-sectors aligns with the existing voluntary guidance from the GFANZ net-zero sector-specific alliances.

It is encouraging that policymakers in a growing number of jurisdictions are recognising the importance of transition plans. Net-zero transition is a common global challenge being addressed by jurisdictions that rely on global finance, companies with global supply chains, and financial institutions that can channel finance cross-border to deliver the greatest decarbonisation impact.

The need for global convergence on what constitutes credible, comprehensive, and consistent transition planning disclosures could not be greater. We look forward to working with a broadening set of policymakers to deliver this consistency, and thank the UK public and private sectors for leading the way.



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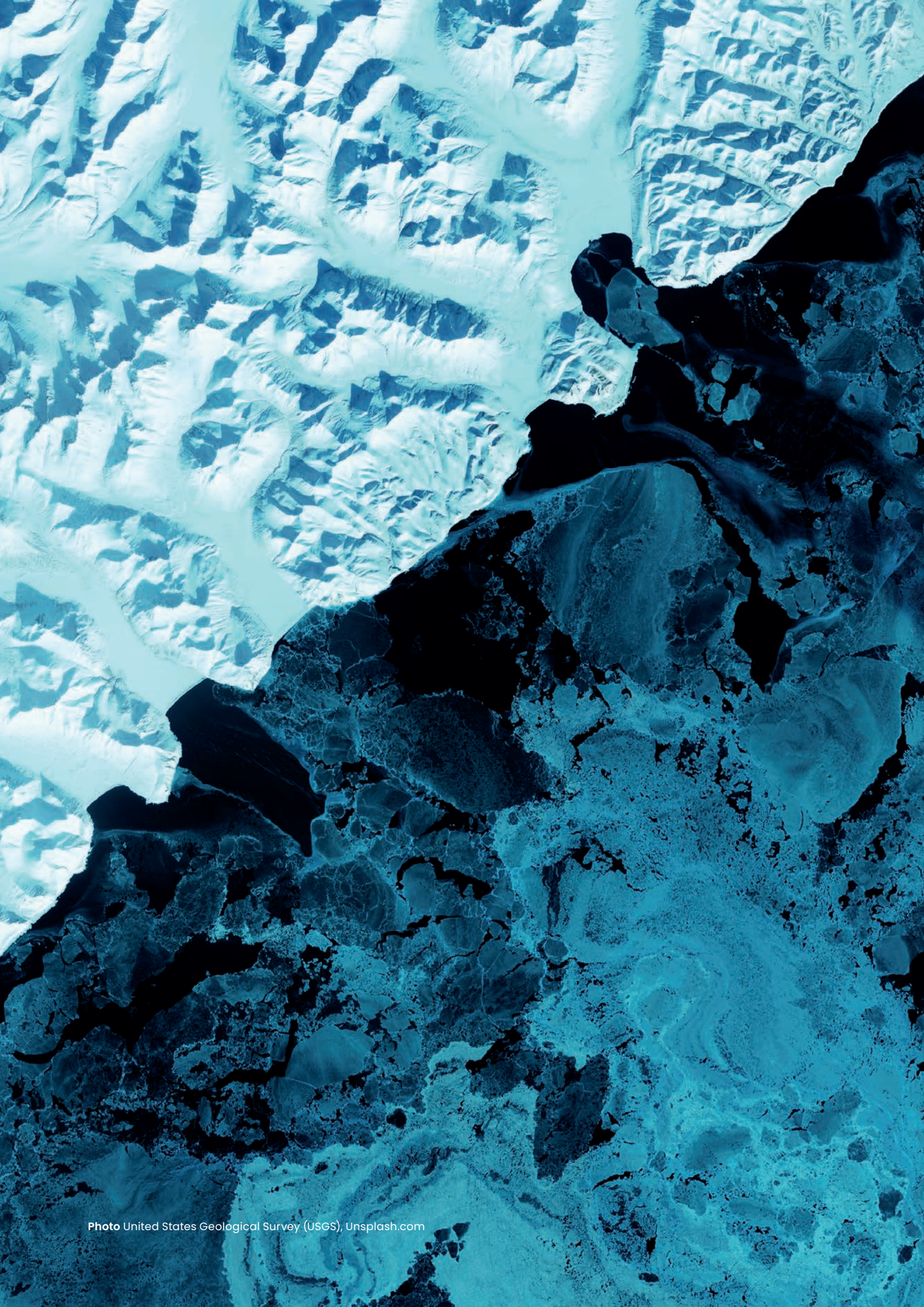
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CONTENTS

1 Introduction	10
2 Defining a Good Practice Transition Plan	15
3 Building Capacity and Supporting Good Practice	20
4 The TPT Disclosure Framework	21
Appendix 1: Reporting of Transition Plans	38
Glossary	43

The materials produced by the TPT reflect a synthesis of best practice at the time of publication. They do not constitute financial, legal, or other professional advice and should not be relied upon as such. Nothing in the Disclosure Framework is intended to override, substitute, or alter existing legal or regulatory requirements, including, without limitation, duties of the entity's directors and senior managers, and the entity's constitutional documents. Nothing in this Disclosure Framework should be understood to require the disclosure of commercially sensitive information.



About the TPT

The UK has set itself ambitious and legally binding targets to cut greenhouse gas (GHG) emissions to net zero by 2050, with binding interim targets. The UK has also pledged at UN climate negotiations to cut emissions by at least 68% by 2030.¹

In October 2021, the UK government published the Greening Finance Roadmap, signalling that it intends to strengthen new and existing sustainability reporting requirements for companies, including publication of climate transition plans.

At COP26, the UK Chancellor further committed to work towards the UK becoming the world's first Net Zero-aligned Financial Centre and ensuring that financial flows shift towards supporting a net zero economy. The Chancellor also set out that the UK will move towards making publication of transition plans mandatory.

The Transition Plan Taskforce (TPT) was launched by HM Treasury in March 2022 with a mandate to bring together leaders from industry, academia, and regulators to develop good practice for transition plan disclosures for finance and the real economy. In addition, the TPT has been tasked to engage with non-UK governments and regulatory networks to support conversations on how to build common baselines and principles for transition planning.

In the 2023 Green Finance Strategy, the UK government committed to consult on introducing requirements for the UK's largest companies to disclose their transition plans if they have them.² In addition, the Financial Conduct Authority (FCA) has signalled its intention to consult on strengthening requirements for transition plan disclosures in line with the TPT Disclosure Framework, alongside its consultation on implementing UK-endorsed ISSB Standards.³

The Transition Plan Taskforce (TPT) was launched by HM Treasury in March 2022 with a mandate to bring together leaders from industry, academia, and regulators to develop good practice for transition plan disclosures for finance and the real economy.

1) See UK Climate Change Act 2008 and the UK's **Nationally Determined Contribution**, as updated September 2022

2) UK government, **Mobilising green investment: 2023 green finance strategy** April 2023

3) FCA, **Primary Market Bulletin 45**, August 2023

1. INTRODUCTION

The 195 Parties to the Paris Agreement have jointly committed to pursue efforts to limit global warming to 1.5°C above pre-industrial levels, while also adapting to the adverse impacts of climate change and fostering resilience.⁴ More recently, in 2022, the 196 parties to the Convention on Biological Diversity agreed to a historic package of goals and targets to restore natural ecosystems and halt the dangerous loss of biodiversity.⁵

Both agreements recognise the need to pursue their goals in a manner that respects the imperative of a just transition and that meets the needs of people everywhere.

The global community is not yet on track to meet these environmental goals.⁶ Recent devastating floods, storms, wildfires, and heatwaves across the world demonstrate clearly that we are not resilient to today's climate. Current emissions trends mean that these impacts will continue to accelerate.

The world urgently needs to make an orderly transition to a low-greenhouse gas (GHG) and climate-resilient economy. One that captures opportunities, while safeguarding the natural environment. And one that is as fair and inclusive as possible to everyone, creating decent work opportunities and leaving no-one behind.⁷

To meet this challenge a fundamental transformation in business and finance is required.

The role of transition planning and transition plans

Transition planning and the disclosure of transition plans are core to this transformation. A robust approach to transition planning provides a blueprint for strategic delivery. Disclosure of transition plans can equip investors with the information they need to finance the transition at the speed and scale required.

Many of the building blocks for financing the transition are already in place. Across the globe companies are increasingly committing to ambitious climate targets. For instance, over 8,300 companies and over 550 financial institutions have signed up to the UN's non-state actor initiative. Voluntary initiatives, such as the Glasgow Financial Alliance for Net Zero (GFANZ), are turning commitments into climate action, and the first wave of private sector transition plans are being disclosed.

The TPT Disclosure Framework (the "Framework") sets out good practice for robust and credible transition plan disclosures.



To meet this challenge a fundamental transformation in business and finance is required.

4) UNFCCC, Paris Agreement, 2015.

5) CBD, Kunming-Montreal Global Biodiversity Framework, 2022.

6) IPCC, Synthesis Report of the IPCC Sixth Assessment Report (AR 6), 2023. UNEP, Too little too slow – Adaptation Gap Report, 2022. IPBES, Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, 2019.

7) ILO, Frequently Asked Questions on just transition, 2023

8) UNFCCC, Race to Zero Campaign 2022

9) GFANZ, 2022 Progress Report, 2022

One plan, many users

An entity's transition plan can serve many purposes. Disclosing a transition plan as part of sustainability-related disclosures in general purpose financial reports, connected with the entity's financial statements, will:

- Set a blueprint for actions within **the reporting entity** enabling it to direct strategy, promote coordinated, purposeful actions, and support a whole-of-organisation transformation.
- Improve the information available to **investors** and **lenders**, enabling them to price risk and make capital allocation decisions.
- Support **policymakers** and **regulatory authorities** to understand the trajectory of the economy-wide transition and how this both influences, and is influenced by, climate policy in order to inform future policymaking.
- Particularly in the case of financial services firms, allow **supervisors** and **regulators** to assess whether an entity's strategy for managing the transition is sufficient given its exposure to climate-related risks and opportunities, and whether its transition-related claims to clients and consumers are well founded.
- Help **stakeholders** hold entities to account for their public climate commitments.
- Act as a reference point for **financial instruments** and **products** directed towards financing the climate transition, helping the markets for climate and transition finance instruments to scale with integrity.
- Provide forward-looking strategic information to the **wider capital markets ecosystem**, including data services, credit ratings, and other tools, to support the mainstreaming of sustainability in finance.

Photo Jose Martin Ramirez Carrasco, Unsplash.com



International alignment

Transition planning, and transition plans, are becoming important considerations for central banks, supervisors, standard setting bodies, and other international organisations.¹⁰

The TPT Framework is designed to be consistent with, and build on, the final *Climate-Related Disclosures* standard (IFRS S2¹¹) issued by the International Sustainability Standards Board (ISSB). IFRS S2 includes several provisions that are relevant to transition planning (including the requirement in paragraph 14(a)(iv) that an entity disclose information about any climate-related transition plan [it] has). The TPT Framework provides a set of Disclosure Recommendations that an entity can use as guidance on how to report more effectively on the transition plan-related aspects of IFRS S2, as part of wider sustainability-related disclosures in its general purpose financial reports. Following the TPT's Disclosure Recommendations should encourage more complete, structured, and decision-useful reporting on transition plans across the economy.

To ensure that the TPT Framework can be applied effectively in this way, it leverages the ISSB's definition of a **climate-related transition plan**, and applies the same approach to materiality and the wider set of concepts and definitions that are set out in the ISSB's *General Requirements* standard (IFRS S1¹²). Table 2: IFRS S1 Corporate Reporting Norms signposts corporate reporting norms from IFRS S1 to aid preparers on how to interpret them when reviewing TPT (see Appendix 1).

Appendix 1 elaborates on reporting expectations. In particular, Table 1 on p40, sets out the main provisions in IFRS S2 that contain disclosure requirements relevant to transition planning and, for each of these provisions, identifies the TPT Disclosure Recommendations that an entity

may wish to consider as a source of additional guidance when making its disclosures. This is further elaborated in the [TPT – ISSB Technical Mapping](#).¹³

Appendix 1 also notes that it would be good practice for entities periodically to draw transition plan disclosures into a standalone report, in which they may consider including additional content that may not be material to primary users of general purpose financial reports.

In addition to these efforts to ensure alignment and integration with the ISSB Standards, the TPT Framework also draws on GFANZ's framework and guidance for credible, comprehensive, and comparable net zero transition planning and uses the same core components and structure. This means that the TPT Framework and GFANZ are both part of an aligned, consistent effort to support the development of private sector transition plans. See Figures 1 and 2 which set out the Transition Plan Disclosures Landscape and how preparers can use the outputs of ISSB, GFANZ, and TPT.

The TPT Framework is designed to be consistent with, and build on, the final climate-related disclosure Standard issued by the ISSB.

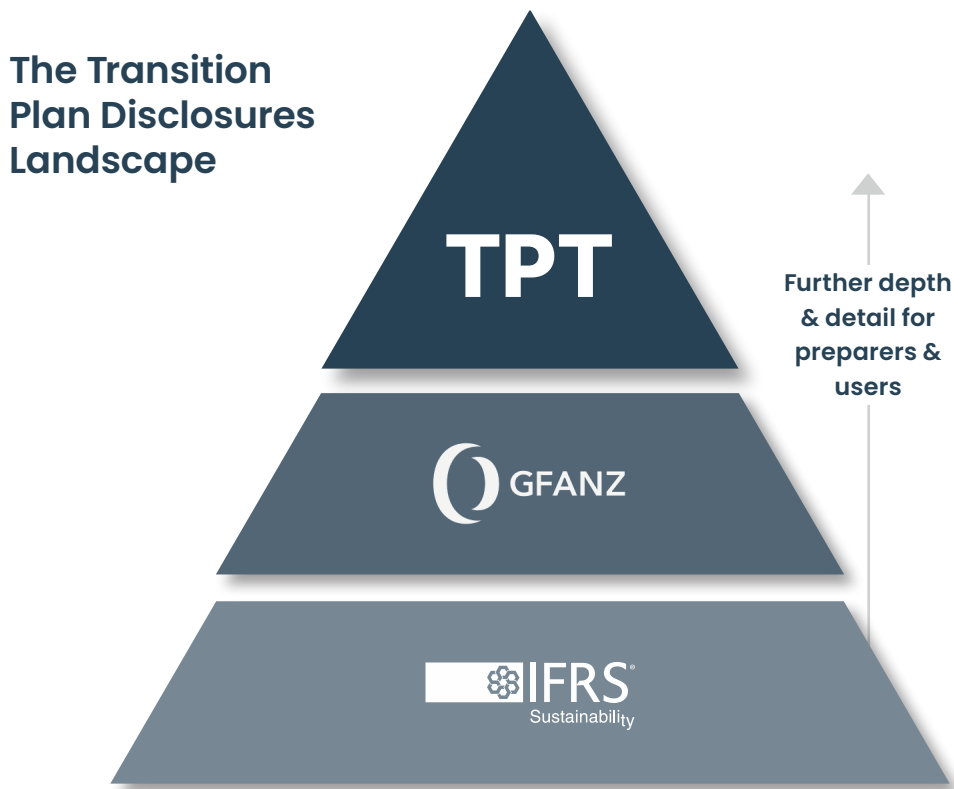
¹⁰) For example, see NGFS, *Stocktake on Financial Institutions' Transition Plans and their Relevance to Micro-prudential Authorities*, May 2023. *G20 Sustainable Finance Report*, 2022, principle 13.

¹¹) IFRS S2, *Climate-related Disclosures*, 2023.

¹²) IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information*, 2023.

¹³) In addition, the TPT has provided technical mapping documents to the TCFD's Recommendation and Guidance and comparison to the European Sustainability Reporting Standards (ESRS), as adopted by the European Commission under the Corporate Sustainability Reporting Directive (CSRD) ([see here](#))

Figure 1: The Transition Plan Disclosures Landscape



The ISSB’s inaugural sustainability disclosure Standards – IFRS S1 and IFRS S2 – will serve as the global baseline of sustainability disclosure for capital markets.

IFRS S2 requires an entity to make disclosures that relate to transition planning – including the requirement in IFRS S2 par. 14(a) that an entity disclose information about “any climate-related transition plan [it] has”.

IFRS S2 establishes disclosure requirements. Entities can benefit from guidance on what a good practice climate transition plan should cover and complementary detailed guidance on disclosures.

TPT

The TPT has developed a sector-neutral Disclosure Framework for best-practice transition plan disclosures, alongside implementation guidance and sector guidance.

The TPT Disclosure Framework is designed to be available for voluntary and mandatory use internationally, purposefully supporting regulatory implementation in a manner consistent with reporting under ISSB Standards and accommodating a net zero or other climate ambition. It complements, and builds on, IFRS S1 and S2.

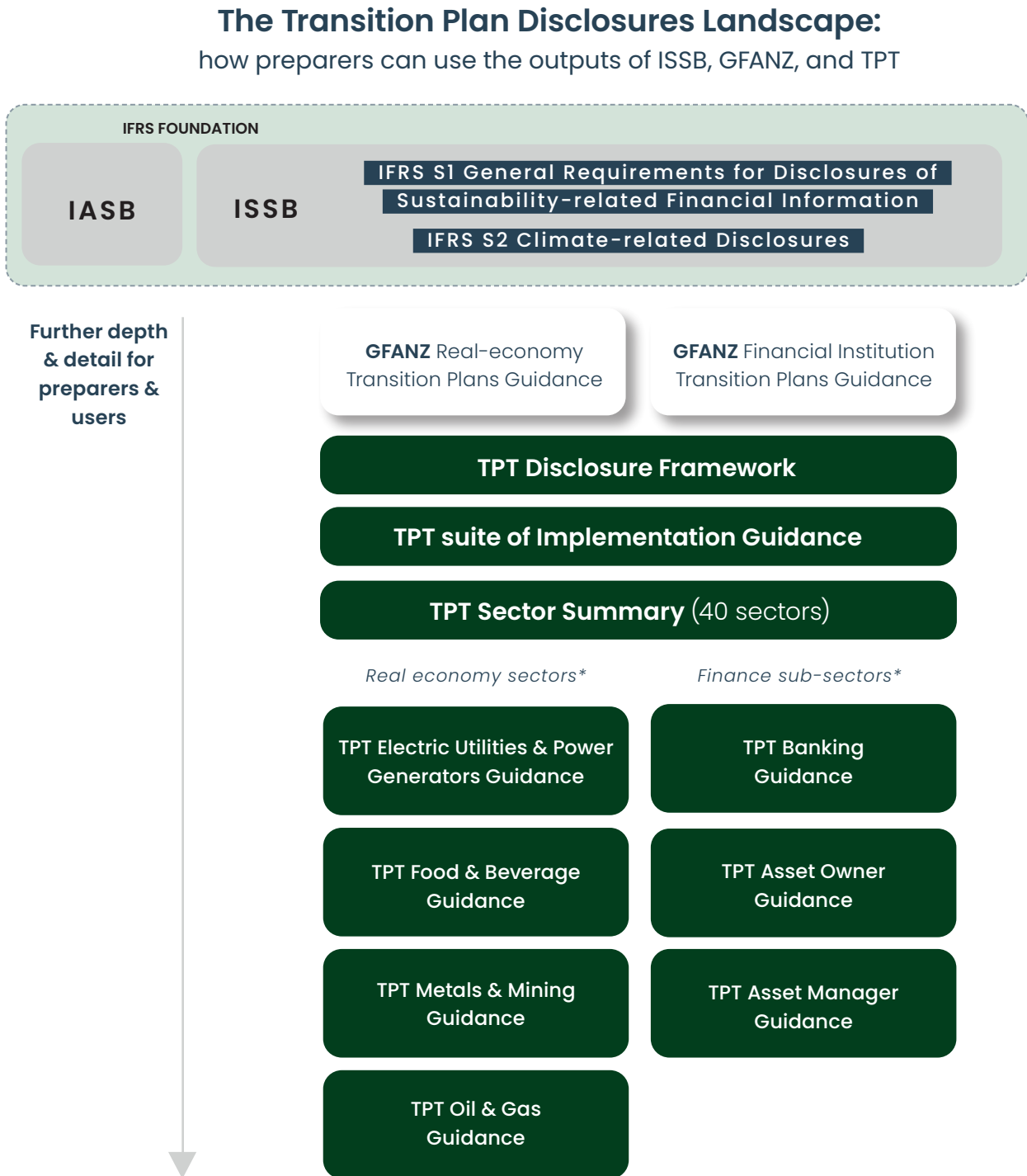
The Disclosure Framework draws on the components identified by GFANZ of a good transition plan, ensuring the outputs of both initiatives lock together to form an integrated approach to transition planning.



GFANZ has delivered a globally consistent approach to (1) financial institutions and (2) real-economy transition planning, identifying the key elements a transition plan needs to be credible and comprehensive, as well as tools to support the development, creation and implementation of a company’s net zero transition plan. It has a focus on financial industry alignment with net zero across all financial sectors.

The GFANZ framework builds on and consolidates across relevant existing transition plan guidance from a range of technical bodies. For example: CDP for data collection, Science Based Targets for a target-setting methodology, and CA100+ / TPI for transition plan assessment, as well as the commitments and guidance of the net-zero finance alliances, and the relevant broader recommendations of the UN High Level Expert Group.

Figure 2: The Transition Plan Disclosures Landscape: how preparers can use the outputs of ISSB, GFANZ, and TPT



*This TPT Deep Dive guidance is to be published for consultation in November 2023

2. DEFINING A GOOD PRACTICE TRANSITION PLAN

2.1 TRANSITION PLAN DEFINITION

The IFRS S2 Standard defines a climate-related transition plan as follows:

“A climate-related transition plan is an aspect of an entity’s overall strategy that lays out the entity’s targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.”

The TPT builds from this definition, recommending that a good practice transition plan clearly articulates the entity’s Strategic Ambition. This comprises its objectives and priorities for responding and contributing to the transition towards a low GHG-emissions, climate-resilient economy. It also sets out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

Elaborating the entity’s strategic approach to supporting an economy-wide transition, while managing the risks and opportunities that arise from its impacts and dependencies, will provide users with valuable information on how it is protecting and enhancing long-term value.

To drive good practice, the TPT Framework applies three guiding principles of **Ambition, Action** and **Accountability**. The Framework is organised across five Elements, as shown in Figure 3, which are consistent with the transition planning components proposed by GFANZ in its guidance.

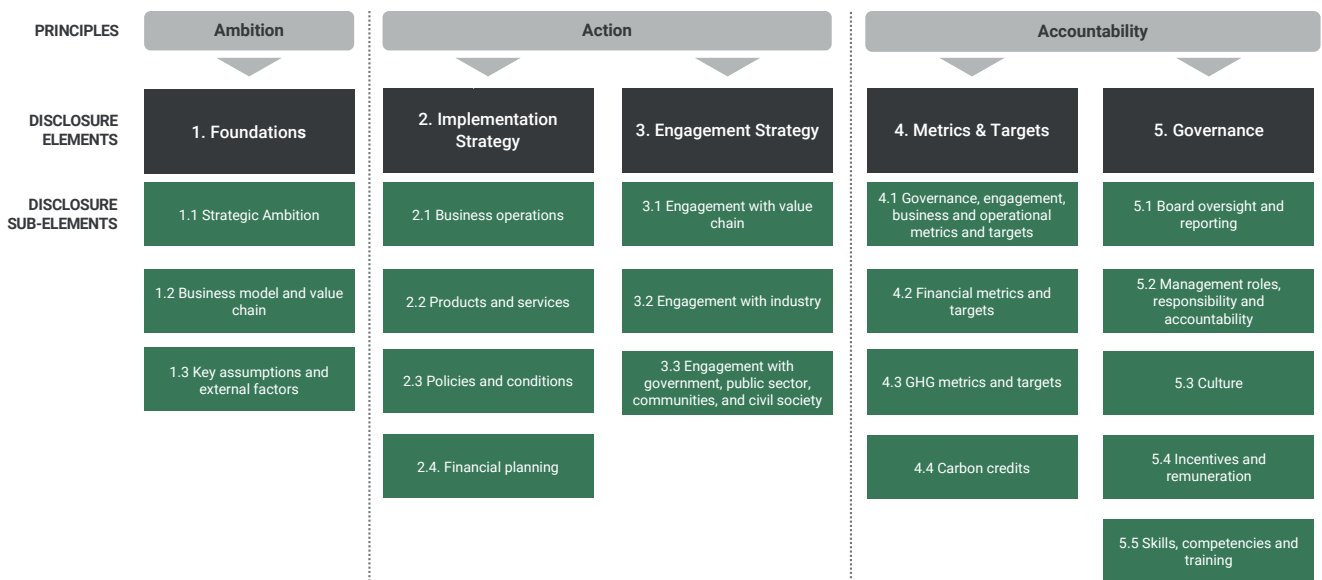


Figure 3: The TPT Disclosure Framework

2.2 GUIDING PRINCIPLES: AMBITION, ACTION AND ACCOUNTABILITY

The three guiding principles of Ambition, Action and Accountability that underpin the TPT Disclosure Framework are elaborated below. These principles should be applied by an entity in accordance with the duties of the entity's directors and senior managers, constitutional documents, and relevant law or regulation.

Ambition: Reflecting the urgency to act

Private sector entities are not passive participants in the climate transition. Good practice transition plans should reflect the urgency to act, arising from the observed changes in the climate and the latest scientific findings about climate change. They should be informed by and respond to relevant national and international commitments by governments such as Nationally Determined Contributions (NDCs) in the Paris Agreement.

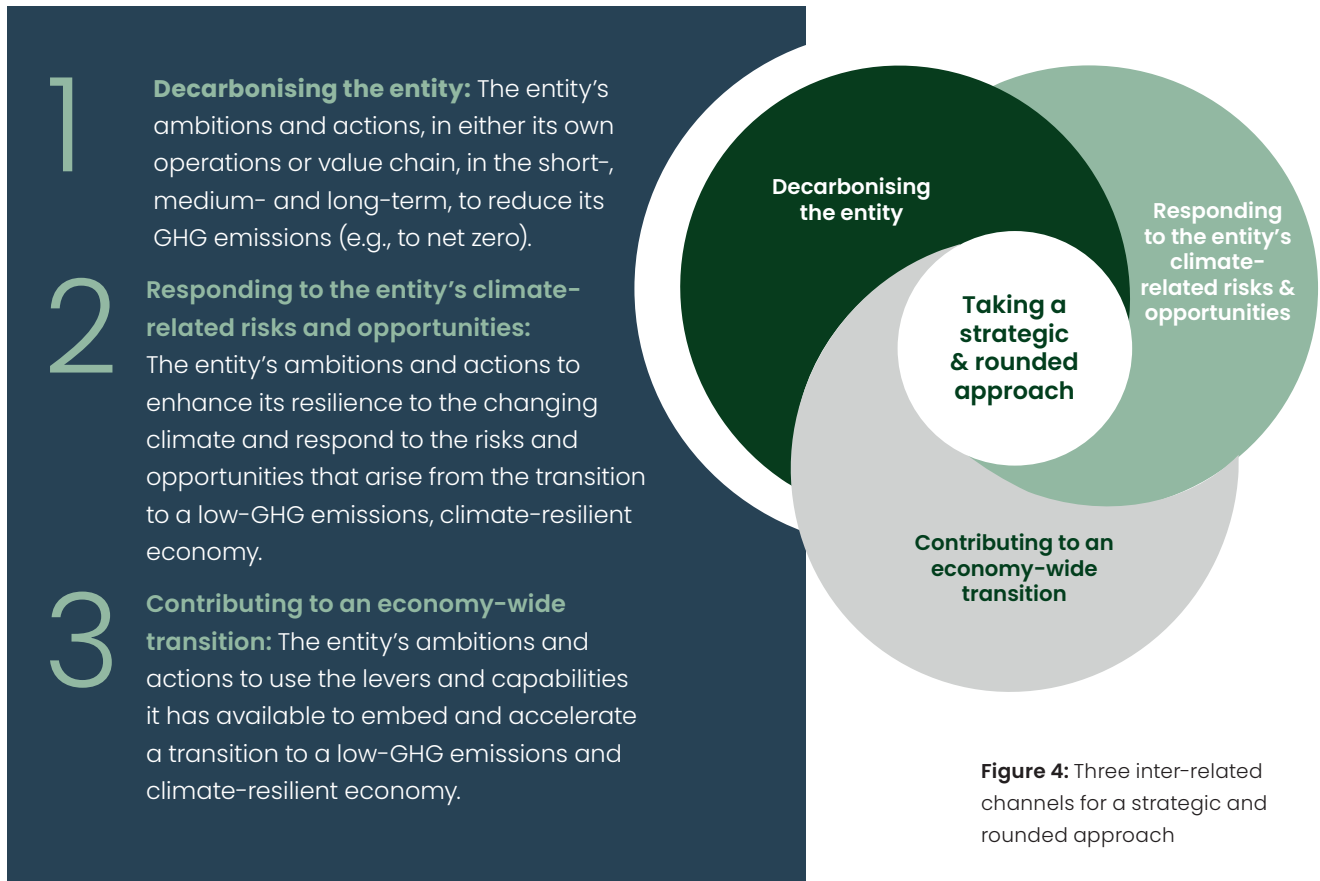
All economic entities operate in an interdependent system in which an exclusive focus on entity-level net zero target setting can lead to unintended consequences. It is also important that entities consider how pursuing their climate transition objectives may impact other sustainability goals.

The TPT therefore recommends that, in setting its Strategic Ambition and designing its transition plan, an entity take a **“strategic and rounded”** approach (See Box 1).¹⁴ That is, the entity should consider the actions that it can take now to capture

opportunities, minimise future risks and protect and enhance its long-term value. Applying a strategic mindset, the entity can also design its transition plan in a way that will protect and enhance long-term value for the stakeholders, society, economy and natural environment on which it depends. To achieve this, the TPT recommends that an entity:

- Considers three inter-related channels in designing its transition plan – decarbonising the entity, responding to the entity's climate-related risks and opportunities, and contributing to an economy-wide transition (Figure 4).
- Discloses whether and how it has identified, assessed, and taken into account the impacts and dependencies of the transition plan on the entity's stakeholders, society, the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities.

¹⁴) Such an approach is consistent with expectations already embedded within the UK's financial architecture. For example, the PRA's Supervisory Statement (SS3/19) discusses how the distinctive elements of climate risk present unique challenges and require a strategic approach. Principle 4 of the UK's Stewardship Code asks signatories to explain how they have identified and responded to systemic risk(s), including those from climate change.



In defining its Strategic Ambition, an entity should be clear about the key assumptions that it has used, and the external factors on which it depends. This can help to address the risks of both "greenwashing"¹⁵ and "greenwashing"¹⁶, strengthening a transition plan's credibility as well as helping to inform effective climate policy.

Taking a strategic and rounded approach to transition planning will help to protect and enhance an entity's long-term value.

¹⁵) "Greenwashing" can arise when entities make unsubstantiated climate and environmental claims, potentially misleading consumers and wider stakeholders.

¹⁶) "Greenwashing" can arise when entities place too heavy a reliance on optimistic assumptions relating to longer-term developments, such as the emergence of new technology, at the cost of short-term action.

Box 1: Unintended consequences and the need for a strategic and rounded approach

Since all entities operate in an interdependent system, an exclusive focus on achieving GHG emissions or adaptation targets within an entity's own operations and value chain can lead to unintended consequences.

For example, a strategy focused entirely on net zero target setting could incentivise entities to pursue a strategy of "paper decarbonisation" – that is, greening the entity's own balance sheet in a way that may not necessarily contribute to greening the economy.¹⁷

Simply transferring ownership of high-carbon assets to other actors in the system, who may be less well placed to bear the risk or phase out their use, can be counter-productive to an economy-wide transition. In the case of financial institutions, a sole focus on reducing portfolio emissions¹⁸ can lead to both "false positives" (e.g. divesting from companies with relatively high emissions that may benefit from, and be enabling of, the transition to a low-GHG emissions economy¹⁹) and "false negatives" (e.g. investing into companies that report low emissions but may be exposed to transition risk by supporting the continuation of a high-carbon economy²⁰).

Similarly, there is a risk that where entities do not consider their place in the wider system, their transition plans could lead to maladaptation and could increase, rather than reduce, the vulnerability to climate change.²¹ For example, a company may decide to situate an electrolysis plant for the creation of hydrogen in a water-sensitive location, increasing the wider vulnerability of society and stakeholders to drought.

The TPT therefore recommends that entities take a strategic and rounded approach,²² considering the role they can play in reducing economy-wide emissions. In so doing, an entity can improve its resilience and protect and enhance its long-term value, while also strengthening resilience for all.

There is a risk that where entities do not consider their place in the wider system, their transition plans could lead to maladaptation

17) See, for example, remarks by Sarah Breeden, Executive Director at the Bank of England, **Balancing on the net zero tightrope**.

18) See, for example, **Emissions Impossible: Quantifying financial risks associated with the net zero transition**.

19) For example, companies mining copper or lithium or those accelerating lower-carbon solutions in historically harder to abate sectors or emerging markets.

20) For example, companies providing services or software to the coal, oil, and gas sector.

21) See, for example, Schipper (2020) **Maladaptation: When Adaptation to Climate Change Goes Very Wrong**.

22) Such an approach calls for a dashboard of metrics, including and beyond emissions. For example, as recommended by the **UK's Climate Financial Risk Forum**, Climate Disclosure Dashboard 2.0, 2023.

Action: Translating strategic ambition into concrete, short-term steps

A transition plan should translate ambitious objectives and priorities into concrete steps to be taken in the short-, medium- and long-term. It should emphasise in its disclosure a roadmap of planned actions that will contribute to meeting its Strategic Ambition.

Good practice transition plans should consider Scope 1, 2, and 3 emissions and should prioritise decarbonisation through direct abatement over purchasing carbon credits. Short-term actions should seek to deliver adaptation and mitigation benefits now, and to fill existing deficits of preparedness for extreme weather. At the same time, a transition plan should seek to ensure that climate is appropriately considered in decisions with long lifetimes to avoid the risk of “carbon lock-in” and to ensure resilience to the greater incidence of extreme weather expected in the near future.

Entities should ensure that their planned actions are underpinned by appropriate resourcing plans. An entity should assess the sensitivity of its plan to changes in key assumptions and external factors on which it depends, and should seek to mitigate delivery risks where possible.

Accountability: Enable delivery through robust governance and reporting

A transition plan is integral to an entity’s wider corporate strategy. Delivery of a transition plan should therefore be fully integrated into the entity’s organisational processes for business and financial planning, and for governance.

An entity should define clear roles and responsibilities for the delivery and oversight of its transition plan and should take steps to align culture and incentive structures with the Strategic Ambition set out in the plan.

An entity should report material information about its transition plan within its general purpose financial reports, including annual reporting on progress against quantified and timebound metrics and targets.

Transition plans should be flexible, dynamic, and responsive to new information and external developments. They should therefore be regularly reviewed and updated.



Entities should ensure that their planned actions are underpinned by appropriate resourcing plans.

3. BUILDING CAPACITY AND SUPPORTING GOOD PRACTICE

In setting out this approach, the TPT recognises that good practice will take time to develop and that the availability and quality of data available to market participants will need to improve.

The Disclosure Recommendations in the Framework are principles-based. They have been designed to accommodate evolution both in entities' climate ambition and in their transition planning practices, and to allow for the detail and richness of their reporting to evolve over time.

For instance, the Framework allows for progress over time in some of the challenging areas of transition planning and transition plan disclosure – e.g. how entities map and engage with their supply chains; how they quantify the financial effects of their plans; how they integrate consideration of climate adaptation; and how they manage and respond to interdependencies with stakeholders, society, the economy, and the natural environment.

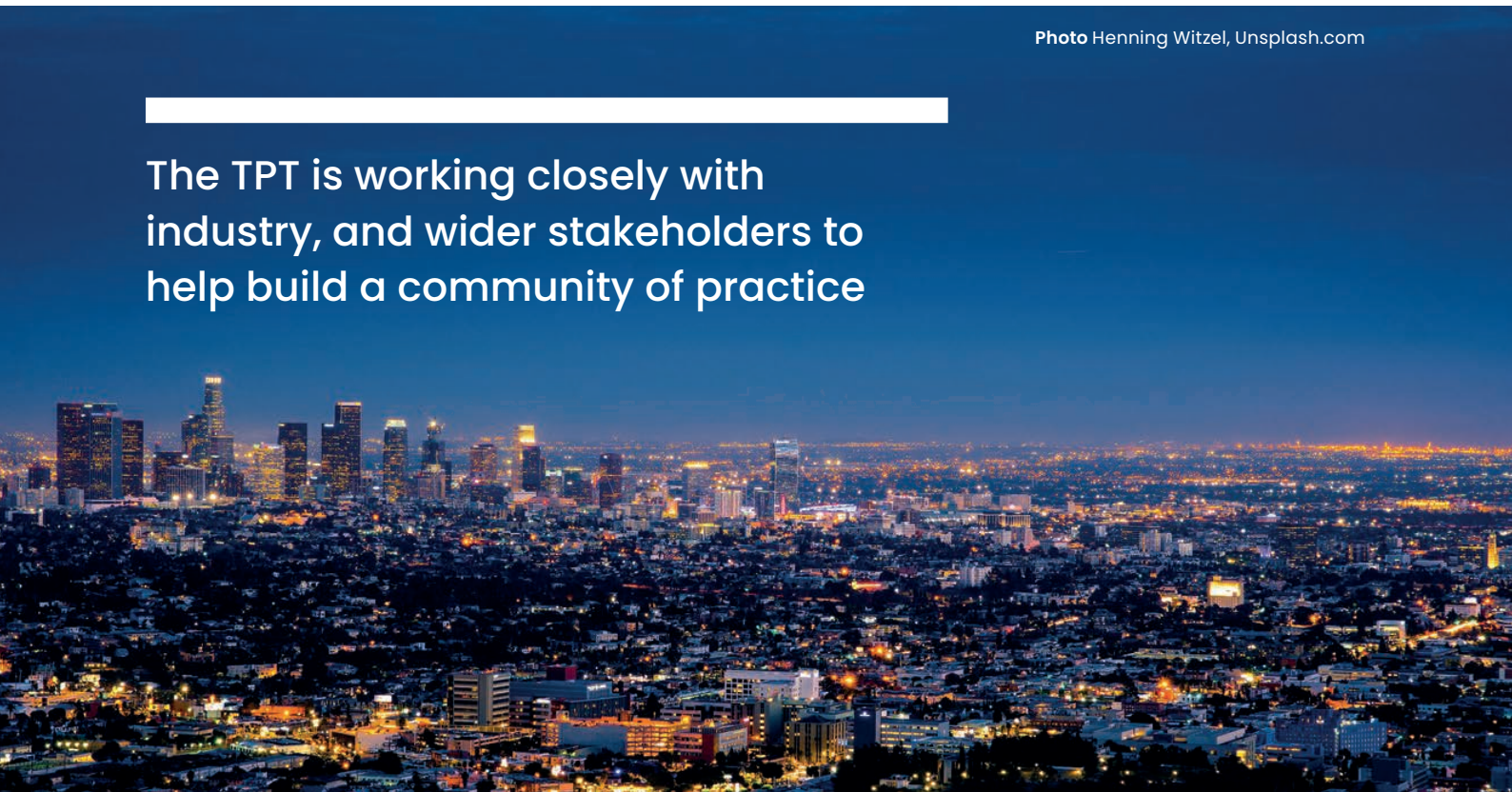
The TPT aims to act as an accelerator in this process by providing clarity and guidance on what good practice looks like. Alongside the Framework, the TPT has developed "[The Transition Planning Cycle](#)", which outlines various steps that entities may take as they develop and iterate their transition plans. This guidance is also intended to

help practitioners navigate the existing external resources, tools, and methodologies (e.g. the GHG Protocol, SBTi, TNFD), and get started.

The TPT is working closely with industry and wider stakeholders to help build a community of practice. Its activities include a Sandbox initiative and extensive international outreach and engagement. As transition planning becomes established as a practice the TPT also expects complementary tools to emerge – e.g. taxonomies, forward-looking alignment metrics, assessment methodologies, software, and analytical tools. The emergence of these tools will enhance the positive impact of transition plan disclosures across the range of use cases described above.

Embedding robust transition planning across the economy and ensuring high-quality, decision-useful, and consistent transition plan disclosures will not be easy. This challenge will require close collaboration between market participants, regulators, state actors, standard setters, and civil society, to accelerate progress towards a coherent and shared framework and towards a common language and approach for transition planning both in the UK and internationally.

Photo Henning Witzel, Unsplash.com



The TPT is working closely with industry, and wider stakeholders to help build a community of practice

4. THE TPT DISCLOSURE FRAMEWORK

Building on the definition and principles set out, the TPT has drawn on the transition plan components identified by GFANZ to set out the five key Elements of a *good practice* transition plan.

1. **Foundations:** An entity shall disclose the **Strategic Ambition** of its plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate-resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment. Under this element, an entity should also disclose the high-level implications that this transition plan will have on its business model and value chain, as well as the key assumptions and external factors on which the plan depends.
2. **Implementation Strategy:** An entity shall disclose the actions it is taking within its business operations, products and services, and policies and conditions to achieve its **Strategic Ambition**, as well as the resulting implications for its financial position, financial performance, and cash flows.
3. **Engagement Strategy:** An entity shall disclose how it is engaging with its value chain, industry peers, government, public sector, communities, and civil society in order to achieve its **Strategic Ambition**.
4. **Metrics & Targets:** An entity shall disclose the metrics and targets that it is using to drive and monitor progress towards its **Strategic Ambition**.
5. **Governance:** An entity shall disclose how it is embedding its transition plan within its governance structures and organisational arrangements in order to achieve the **Strategic Ambition** of its transition plan.

The TPT's Disclosure Framework breaks these Elements down into 19 Sub-Elements, each of which is supported by a series of Disclosure Recommendations. Where Recommendations are introduced using "**shall**", this indicates that the TPT views these as relevant disclosures for all good practice transition plans, subject to a materiality assessment. Some Sub-Elements also contain examples of additional disclosures that an entity may consider, but which may not be relevant to all entities. These are introduced using "**may**" or "**e.g.**", and are not intended to be comprehensive. This means an entity may consider disclosing other information under these Sub-Elements.

The TPT Disclosure Framework uses the ISSB's definition of a climate-related transition plan, and applies the same approach to materiality and the wider set of concepts, definitions, and corporate reporting norms that are set out in the ISSB's *General Requirements* standard (IFRS S1²³) (see Appendix 1: Reporting of transition plans).

In addition to including transition plan disclosures as part of its general purpose financial reports, the TPT regards it as good practice for an entity periodically to publish its transition plan in a single standalone document that sits alongside its general purpose financial reports.

Further guidance including case studies can be found on the [TPT website](#)

The materials produced by the TPT reflect a synthesis of best practice at the time of publication. They do not constitute financial, legal, or other professional advice and should not be relied upon as such. Nothing in the Disclosure Framework is intended to override, substitute, or alter existing legal or regulatory requirements, including, without limitation, duties of the entity's directors and senior managers, and the entity's constitutional documents. Nothing in this Disclosure Framework should be understood to require the disclosure of commercially sensitive information.

²³) IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information*, 2023.

1. Foundations

Sub-Element

1.1 Strategic Ambition

An entity shall disclose the **Strategic Ambition** of its transition plan. This shall comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate-resilient economy, and set out whether and how the entity is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.

Disclosure Recommendations

As part of this, an entity shall disclose:

- a. its objectives and priorities:
 - i. for reducing its Scope 1, 2 and 3 GHG emissions in either its operations or value chain
 - ii. for enhancing its resilience to the changing climate and responding to the risks and opportunities that arise from the transition to a low-GHG emissions, climate-resilient economy
 - iii. for using the levers and capabilities it has available to embed and accelerate a transition to a low-GHG emissions climate-resilient economy
- b. whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders (e.g. its workforce, value chain counterparts, customers), society (e.g. local communities), the economy, and the natural environment, throughout its value chain, that may give rise to sustainability-related risks and opportunities
- c. the extent to which it has taken into account and aligned with any external requirements, commitments, science-based targets, transition pathways, roadmaps, or scenarios, which may include:
 - i. national or international commitments made by governments
 - ii. any targets it is required to meet by law or regulation
 - iii. sectoral pathways, roadmaps, or other climate scenarios
 - iv. voluntary commitments (e.g., existing public commitments, organisational and industry standards, contractual relationships, codes of practices etc.)
- d. any potential trade-offs, synergies or co-benefits identified between the objectives and priorities in 1.1a
- e. any short-, medium- and long-term targets and milestones it has set to measure progress, including how short-, medium-, and long-term are defined in the context of transition planning.²⁴

²⁴) The TPT recommends that the short-term is defined as no longer than three years. This would align with the recommended publication cycle of standalone transition plans. If the entity defines short-term as exceeding three years, it would be good practice to provide an explanation for why this is the case.

Sub-Element

1.2 Business model and value chain

An entity shall disclose a description of the current and anticipated implications of the entity's **Strategic Ambition** on its business model and value chain.

Disclosure Recommendations

As part of this, an entity shall disclose:

- a. at a high level the current and anticipated strategic changes to its business model and value chain, as elaborated in **2. Implementation Strategy** and **3. Engagement Strategy**
- b. the timeframe over which changes are expected to occur.

Sub-Element

1.3 Key assumptions and external factors

An entity shall disclose key assumptions that it has made and external factors on which it depends in order to achieve the **Strategic Ambition** of its transition plan.

Disclosure Recommendations

As part of this, an entity shall disclose:

- a. the nature of the key assumptions that it uses and external factors on which it depends, and their implications for the achievement of the **Strategic Ambition** of its transition plan; these may relate to matters such as
 - i. policy and regulatory change
 - ii. the decarbonisation trajectory of the global economy, relevant geographies, and/or sectors
 - iii. macroeconomic trends (e.g. labour availability, cost of borrowing etc.)
 - iv. microeconomic and financial factors (e.g. availability of finance, relative prices)
 - v. technological developments
 - vi. access to counterparty data and reliability of data
 - vii. shifts in client and consumer demand
 - viii. the levels of warming over the short-, medium-, and long-term
 - ix. the physical impacts of the changing climate, and the regional and spatial implications of these
 - x. the effectiveness of adaptation efforts and possible limits to adaptation, and the regional and spatial implications of these
- b. the timeframes over which any key assumptions and external factors under 1.3.a. are expected to occur
- c. whether and how the key assumptions under 1.3.a. are reflected in the entity's financial statements.

2. Implementation Strategy

Sub-Element

2.1 Business operations

An entity shall disclose information about the short-, medium-, and long-term actions it is taking or plans to take in its business operations in order to achieve the **Strategic Ambition** of its transition plan.

Disclosure Recommendations

As part of this, an entity shall disclose:

- a. information about any current and anticipated actions, including timelines, relating to matters such as:
 - i. its production processes or equipment
 - ii. workforce adjustments
 - iii. supply chain and procurement
- b. information about any current and anticipated changes relating to the entity's facilities and other physical assets, such as:
 - i. the location of offices and operations
 - ii. the responsible retirement or phase-out of GHG-intensive assets
 - iii. the management of assets that are exposed to risks arising from the changing climate
 - iv. the management of long-lived assets that may be impacted as a result of the transition to a low-GHG emissions, climate-resilient economy
- c. the expected principal contributions of its actions towards achieving its **Strategic Ambition**.

Sub-Element

2.2 Products and services

An entity shall disclose information about short-, medium-, and long-term actions it is taking or plans to take to change its portfolio of products and services in order to achieve the **Strategic Ambition** of its transition plan.

Disclosure Recommendations

As part of this, an entity shall disclose:

- a. information about any current and anticipated actions, including timelines, to change the portfolio of products and services that it provides or facilitates (e.g. via franchising, financing, or underwriting activities)
- b. any underlying taxonomy, tools, methodologies, or definitions used to classify products and services under this Sub-Element
- c. the expected principal contributions of its actions towards achieving its **Strategic Ambition**.

2.3 Policies and conditions

An entity shall disclose information about any policies and conditions that it uses or plans to use in order to achieve the **Strategic Ambition** of its transition plan.

As part of this, an entity shall disclose:

- a. a brief description of any policy or condition that it uses or plans to use in order to achieve the **Strategic Ambition** of its transition plan; these may relate, as appropriate, to matters such as:
 - i. energy usage
 - ii. phase-out of GHG-intensive assets
 - iii. climate-related considerations in procurement/for suppliers
 - iv. climate-related considerations (e.g. thresholds, targets or restrictions) in lending or investment activities
 - v. adapting and building resilience to the changing climate
 - vi. supplier engagement
 - vii. portfolio engagement
 - viii. land use and land management changes (e.g. deforestation)
 - ix. safeguards to address potential adverse impacts on the natural environment
 - x. human rights
 - xi. labour standards
 - xii. advancing social equity or addressing potential adverse social impacts (e.g. on communities)
- b. the expected principal contributions of the policy or condition towards achieving its **Strategic Ambition**.

2.4 Financial planning

An entity shall, to the extent the financial effects of its transition plan are separately identifiable, disclose information about the effects of its transition plan²⁵ on its financial position, financial performance and cash flows²⁶ over the short-, medium-, and long-term, including information about how it is resourcing or plans to resource its activities in order to achieve the **Strategic Ambition** of its transition plan.²⁷

As part of this, an entity:

- a. shall disclose information about how the entity is resourcing, and plans to resource, the current and planned activities set out in its transition plan
- b. shall disclose qualitative and quantitative information about how it expects implementation of its transition plan to affect its financial position over the short-, medium-, and long-term, taking into consideration matters such as:
 - i. its investment and disposal plans (e.g. plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformations, innovation, new business areas, investments into research and development for climate solutions, and asset retirements), including plans to which the entity is not contractually committed
 - ii. planned sources of funding to implement its plan
- c. shall disclose qualitative and quantitative information about how it expects implementation of its transition plan to affect its financial performance and cash flows over the short-, medium-, and long-term (e.g. increased revenue from products and services aligned with a low-GHG emissions, climate-resilient economy, and expenses associated with climate adaptation or mitigation)²⁸
- d. shall, in disclosing information about 2.4 b–c
 - i. use all reasonable and supportable information that is available to the entity at the reporting date without undue cost and effort
 - ii. use an approach that is commensurate with the skills, capabilities, and resources that are available to the entity for preparing those disclosures
- e. may, in disclosing quantitative information under 2.4 b–c
 - i. disclose a single amount or a range
 - ii. prioritise quantitative information for current financial effects and those of short-term actions that may be more certain
- f. need not provide quantitative information about some or all of 2.4 b–c
 - i. if it determines that:
 1. those effects are not separately identifiable or
 2. the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful
 - ii. if it does not have the skills, capabilities, or resources to provide that quantitative information.

25) Please note that **2.4.c** is not intended to cover information about the financial effects of wider climate-related risks and opportunities. Instead the focus lies on the direct and indirect effects from implementing the transition plan itself.

26) For entities in the financial sector, this should cover the financial performance of the entity itself and not its investment or lending portfolio.

27) This Sub-Element should be regarded as distinct from the Disclosure Recommendations under Sub-Element **4.2 Financial metrics and targets**. Under **2.4 Financial planning**, the focus should lie on demonstrating that the entity has integrated the transition plan into its financial planning and disclosing expected financial effects. Under Sub-Element **4.2 Financial metrics and targets**, on the other hand, the entity should disclose the financial metrics and targets that it is using to assess progress and delivery of the plan over time.

28) This may include quantitative information about the combined financial effects of the transition plan with other aspects of wider corporate strategy unless the entity determines that quantitative information about the combined financial effects would not be useful.

Disclosure Recommendations

- g. shall, if in accordance with 2.4.f it need not provide quantitative information about some or all of 2.4 b–c
 - i. explain why it has not provided quantitative information
 - ii. explain how the implementation of its transition plan is covered within its wider financial planning and financial decision-making processes
 - iii. provide qualitative information about how considerations related to the implementation of the transition plan are integrated into the entity's investment and disposal plans (e.g. plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformations, innovation, new business areas, investment into research and development for climate solutions, and asset retirements), including plans to which the entity is not contractually committed.

3. Engagement Strategy

Sub-Element

3.1 Engagement with value chain

An entity shall disclose information about any engagement activities with other entities in its value chain that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

Disclosure Recommendations

As part of this, an entity shall disclose:

- a. an explanation of how the entity prioritises engagement activities in order to maximise their contribution towards achieving the **Strategic Ambition** of the entity's transition plan; this may reference key assumptions and external factors disclosed under **1.3 Key assumptions and external factors**
- b. a description of current and planned engagement activities; for financial services entities this may include engagement and, where relevant, other stewardship activities, with investee companies, loan clients and relevant financial market intermediaries
- c. a description of escalation processes or criteria in place to manage instances where engagement activities do not lead to the desired changes
- d. the expected principal contributions of its activities towards achieving its **Strategic Ambition**.

Sub-Element

3.2 Engagement with industry

An entity shall disclose information about any engagement and collaborative activities with industry counterparts (and other relevant initiatives or entities) that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

Disclosure Recommendations

As part of this, an entity shall disclose

- a. information about memberships in trade organisations or industry bodies
- b. an explanation of how the entity prioritises engagement and collaborative activities in order to maximise their contribution towards achieving the **Strategic Ambition** of the entity's transition plan; this may reference key assumptions and external factors disclosed under **1.3 Key assumptions and external factors**
- c. a description of current and planned engagement and collaborative activities with membership bodies, industry associations, industry counterparts (and other relevant initiatives or entities; e.g. peers and labour unions) including any commitments by the entity arising from these activities²⁹
- d. the expected principal contributions of its activities towards achieving its **Strategic Ambition**
- e. the steps it takes to monitor the activities of membership bodies or industry bodies in which it participates and minimise any actions that may conflict with its own **Strategic Ambition**.

²⁹ **Note:** The TPT notes the similarity between this recommendation and the Disclosure Recommendations on indirect policy engagement under **3.3 Engagement with government, public sector and civil society**. Under **3.2 Engagement with industry** the primary focus lies on outlining significant engagement activities undertaken to influence membership bodies, industry associations, industry counterparts, and other relevant entities. Under **3.3 Engagement with government, public sector and civil society**, the focus lies on outlining significant engagement activities undertaken in collaboration with, or via, trade associations to influence the decision-making and policy positions of government and the public sector.

3.3 Engagement with government, public sector and civil society

An entity shall disclose information about any direct and indirect engagement activities with the government, regulators, public sector organisations, communities, and civil society that it is undertaking or plans to undertake in order to achieve the **Strategic Ambition** of its transition plan.

As part of this, an entity shall disclose:

- a. an explanation of how the entity prioritises engagement activities in order to maximise their contribution towards achieving the **Strategic Ambition** of the entity's transition plan; this may reference key assumptions and external factors disclosed under **1.3 Key assumptions and external factors**
- b. a description of current and planned engagement activities
- c. the expected principal contributions of its activities towards achieving its **Strategic Ambition**.

4. Metrics & Targets

Sub-Element

4.1 Governance, business and operational metrics and targets

An entity shall disclose information about the governance, engagement, business and operational metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

Disclosure Recommendations

As part of this, an entity shall:

- a. disclose any targets it has set, and any targets it is required to meet by law or regulation
- b. disclose information about how the targets disclosed under 4.1.a reflect the **Strategic Ambition** of its transition plan, and how they relate to the actions outlined under **2. Implementation Strategy** and **3. Engagement Strategy**
- c. for each target disclosed under 4.1.a, disclose:
 - i. the metric used to set the target
 - ii. the objective of the target
 - iii. the part of the entity or its activities to which this target applies
 - iv. the period over which the target applies
 - v. the base period and value from which progress is measured
 - vi. any milestones or interim targets
 - vii. if the target is quantitative, whether it is an absolute or an intensity target
 - viii. how the latest international agreement on climate change, including any jurisdictional commitments that arise from that agreement, has informed the target
 - ix. whether and how the target aligns with any pathways disclosed under 1.1.c including, where possible, the expected trajectory of how this target will be achieved
 - x. any underlying taxonomy, tools, methodologies, or definitions on which this metric relies
- d. disclose information about its approach to setting and reviewing each target disclosed under 4.1.a, and how it monitors progress against each target, including:
 - i. whether the target and the methodology for setting the target have been validated by a third party
 - ii. the entity's processes for reviewing the target
 - iii. the metrics used to monitor progress towards meeting the target
- e. report against metrics used to assess progress towards the targets disclosed under 4.1.a at least on an annual basis; this shall include:
 - i. information about its performance against each target
 - ii. an analysis of trends or changes in the entity's performance
 - iii. whether and to what extent (if known) measurements rely on estimated data, and
 - iv. any revisions to the target and explanation for those revisions.

4.2 Financial metrics and targets

An entity shall disclose information about any financial metrics and targets, relevant to its business, sector, and strategy, that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

As part of this, an entity:

- a. shall disclose any targets it has set, and any targets it is required to meet by law or regulation; for financial services, this may include targets related to its investment and lending activities
- b. shall disclose information about how the targets disclosed under 4.2.a reflect the **Strategic Ambition** of its transition plan, and how they relate to the actions outlined under **2. Implementation Strategy** and **3. Engagement Strategy**
- c. shall for each target disclosed under 4.2.a, disclose:
 - i. the metric used to set the target
 - ii. the objective of the target
 - iii. the part of the entity or its activities to which this target applies
 - iv. the period over which the target applies
 - v. the base period and value from which progress is measured
 - vi. any milestones or interim targets
 - vii. if the target is quantitative, whether it is an absolute or an intensity target
 - viii. how the latest international agreement on climate change, including any jurisdictional commitments that arise from that agreement, has informed the target
 - ix. whether and how the target aligns with any other pathways disclosed under 1.1.c including, where possible, the expected trajectory of how this target will be achieved
 - x. any underlying taxonomy, tools, methodologies, or definitions on which this metric relies
- d. shall disclose information about its approach to setting and reviewing each target disclosed under 4.2.a, and how it monitors progress against each target, including:
 - i. whether the target and the methodology for setting the target has been validated by a third party
 - ii. the entity's processes for reviewing the target
 - iii. the metrics used to monitor progress towards meeting the target
- e. shall report against metrics used to assess progress towards the targets disclosed under 4.2.a at least on an annual basis; this shall include:
 - i. information about its performance against each target
 - ii. an analysis of trends or changes in the entity's performance
 - iii. whether and to what extent (if known) measurements rely on estimated data
 - iv. any revisions to the target and explanation for those revisions
- f. shall disclose an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions), and the price for each metric tonne of greenhouse gas emissions that the entity uses to assess the cost of its emissions
- g. may disclose a single amount or a range in providing quantitative information under 4.2.a-f.

4.3 GHG metrics and targets

An entity shall disclose information about the GHG emissions and removals metrics and targets that it uses in order to drive and monitor progress towards the **Strategic Ambition** of its transition plan, and report against these metrics and targets on at least an annual basis.

As part of this, an entity:

- a. shall disclose information about any targets for reducing absolute gross GHG emissions for Scopes 1 and 2 that it has set
- b. shall disclose information about any targets for reducing absolute gross GHG emissions for Scope 3 that it has set
- c. shall disclose information about any additional GHG emissions targets that it has set (e.g. methane reduction targets)
- d. shall disclose information about how the targets disclosed under 4.3.a–c reflect the **Strategic Ambition** of its transition plan, and how they relate to the actions outlined under **2. Implementation Strategy** and **3. Engagement Strategy**
- e. may disclose information about any gross GHG emissions intensity targets expressed as metric tonnes of CO₂ equivalent per unit of physical or economic output for Scopes 1 and 2
- f. may disclose gross GHG emissions intensity targets expressed as metric tonnes of CO₂ equivalent per unit of physical or economic output for Scope 3
- g. may disclose any targets for increasing GHG removals from activities such as land use, land use change, bioenergy, and carbon removal technologies
- h. shall disclose the categories of Scope 3 GHG emissions included within the target disclosed under 4.3.b and, where it has excluded categories of Scope 3 GHG emissions from its targets, disclose the reason for omitting them, and any steps it is taking to improve monitoring and reporting systems.
- i. shall, for each target disclosed under 4.3.a–c, disclose:
 - i. the metric used to set the target
 - ii. the objective of the target
 - iii. the part of the entity or its activities to which this target applies
 - iv. the period over which the target applies
 - v. the base period and value from which progress is measured
 - vi. any milestones or interim targets
 - vii. if the target is quantitative, whether it is an absolute or an intensity target
 - viii. how the latest international agreement on climate change, including any jurisdictional commitments that arise from that agreement, has informed the target
 - ix. whether and how the target aligns with any pathways disclosed under 1.1.c including, where possible, the expected trajectory of how this target will be achieved
- j. shall disclose information about its approach to setting and reviewing each target disclosed under 4.3.a–c, and how it monitors progress against each target, including:
 - i. whether the target and the methodology for setting the target have been validated by a third party
 - ii. the entity's processes for reviewing the target
 - iii. the metrics used to monitor progress towards meeting the target

- k. shall report against metrics used to assess progress towards the targets disclosed under 4.3.a-c at least on an annual basis; this shall include:
 - i. information about its performance against each target
 - ii. an analysis of trends or changes in the entity's performance
 - iii. whether and to what extent (if known) measurements rely on estimated data
 - iv. any revisions to the target and explanation for those revisions
- l. shall in disclosing information on GHG emissions under 4.3.k
 - i. disclose its absolute gross GHG emissions generated during the reporting period, expressed as metric tonnes of CO₂ equivalent, classified as Scope 1, 2 and 3 GHG emissions
 - ii. measure its GHG emissions in accordance with the Greenhouse Gas Protocol: A corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its GHG emissions
 - iii. disclose the approach it uses to measure its GHG emissions under 4.3.l.i, including:
 - 1. the measurement approach, inputs, and assumptions the entity uses to measure its GHG emissions
 - 2. the reason why the entity has chosen the measurement approach, inputs, and assumptions it uses to measure its GHG emissions
 - 3. any changes the entity made to the measurement approach, inputs, and assumptions during the reporting period and the reasons for those changes
 - iv. for Scope 1 and Scope 2 GHG emissions disclosed under 4.3.l.i, disaggregate emissions between
 - 1. the consolidated accounting group (e.g. parent and its consolidated subsidiaries)
 - 2. other entities excluded from the consolidated accounting group (e.g. associates, joint ventures and unconsolidated subsidiaries)
 - v. for Scope 2 GHG emissions disclosed under 4.3.l.i, disclose its location-based Scope 2 GHG emissions and provide information about any contractual instruments that is necessary to inform users' understanding of the entity's Scope 2 GHG emissions
 - vi. for Scope 3 GHG emissions disclosed under 4.3.l.i, disclose:
 - 1. the categories included within the entity's measure of Scope 3 GHG emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) and, where it has excluded categories of Scope 3 GHG emissions, disclose the reason for omitting them, and any steps it is taking to improve monitoring and reporting systems to enable reporting
 - 2. additional information about the entity's Category 15 GHG emissions or those associated with its investments (financed emissions) if the entity's activities include asset management, commercial banking, or insurance
- m. may, where relevant, further disclose information about GHG removals from activities such as land use, land use change, bioenergy, and carbon removal technologies
 - i. be separately identifiable from information about GHG emissions disclosed under 4.3.l.i and information about carbon credits disclosed under 4.4
 - ii. include information about which third-party scheme(s) has or will verify or certify the removals
 - iii. include information about which standard the removals have been or will be certified against
 - iv. disclose the extent to which the entity identifies and manages the impacts and dependencies of removals on its stakeholders, society, the economy, and the natural environment throughout its value chain, that may give rise to sustainability-related risks and opportunities (for example, this may include an assessment and mitigation of social risks of removals usage (e.g. through human rights impact assessments)).

4.4 Carbon credits

An entity shall disclose information about how it uses or plans to use carbon credits to achieve the **Strategic Ambition** of its transition plan, and report on the use of carbon credits on at least an annual basis.

Disclosure Recommendations

As part of this, an entity shall:

- a. disclose an explanation of why the entity is employing carbon credits and the extent to which, and how, the entity relies on the use of carbon credits to achieve the **Strategic Ambition** of its transition plan
- b. disclose the number of credits sold, purchased and retired
- c. disclose which third-party scheme(s) has or will verify or certify the carbon credits
- d. disclose information about which standard or methodology the carbon credits have been or will be certified against
- e. disclose the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal
- f. disclose whether and how the entity identifies and manages the impacts and dependencies of carbon credits on its stakeholders, society, the economy, and the natural environment throughout its value chain, that may give rise to sustainability-related risks and opportunities (for example, this may include an assessment and mitigation of social risks of carbon credits usage (e.g. through human rights impact assessments))
- g. disclose any other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credit the entity is using or plans to use³⁰
- h. report on the use of carbon credits at least on an annual basis.

30) This may include:

- Proof that the principles of Free, Prior and Informed Consent (FPIC) and Do No Harm were respected with local communities where the project is situated, and, where appropriate, proof that projects respect, and ideally enhance, the rights of Indigenous Peoples and Local Communities (IPLCs)
- Information about the expected permanence of the carbon credit, including any measures in place to address the risk of reversal as well as measures in place to compensate reversals.

5. Governance

Sub-Element

5.1 Board oversight and reporting

An entity shall disclose information about the governance body(s) (which can include a board, committee, or equivalent body charged with governance) or individual(s) responsible for oversight of the transition plan.

Disclosure Recommendations

- As part of this, an entity shall identify that body(s) or individual(s) and disclose:
- its arrangements for review and approval of the transition plan and its **Strategic Ambition**, including oversight of any changes, updates, and reporting
 - how responsibilities for the transition plan are reflected in the terms of reference, mandates, role descriptions, and other related policies applicable to that body(s) or individual(s)
 - how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee the transition plan
 - how and how often the body(s) or individual(s) is informed about the transition plan
 - how the body(s) or individual(s) takes into account the transition plan when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with the transition plan
 - how the body(s) or individual(s) oversees the setting of targets in the transition plan, and monitors progress towards these targets and the wider strategic ambition of the transition plan.

Sub-Element

5.2 Roles, responsibility and accountability

An entity shall disclose information about management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee the transition plan, as well as how it is embedded within the entity's wider control, review, and accountability mechanisms.

Disclosure Recommendations

- As part of this, an entity shall disclose:
- the identity of the management body(s) or individual(s) responsible for executive oversight and delivery of the transition plan
 - the role of the body(s) or individual(s) in 5.2.a. in defining the **Strategic Ambition** of the transition plan, the setting of targets, and the monitoring of progress
 - how oversight is exercised over that body(s) or individual(s)
 - whether the body(s) or individual(s) in 5.2.a. uses controls and procedures to support the oversight of the transition plan and ensure the reliability of information disclosed; if so, an entity shall disclose how these controls and procedures are integrated with other internal functions and information about which aspects of the transition plan are subject to external assurance or verification, including the nature of the assurance or verification
 - whether the transition plan is subject to shareholder approval, including through a shareholder vote.

5.3 Culture

An entity shall disclose information about how it aligns or plans to align its culture with the **Strategic Ambition** of its transition plan.

Disclosure Recommendations

- As part of this, an entity may disclose information about any relevant steps taken in respect of:
- a. company values and purpose statements
 - b. communications, systems, processes
 - c. HR policies and procedures (including escalation processes, compensation, and benefits); see **5.4 Incentives and remuneration** for disclosure recommendations on incentives and remuneration
 - d. the employee value proposition
 - e. leadership and manager training programmes
 - f. workforce engagement strategies.

5.4 Incentives and remuneration

An entity shall disclose information about how it aligns or plans to align its incentive and remuneration structures with the **Strategic Ambition** of its transition plan.

Disclosure Recommendations

- As part of this, an entity shall disclose:
- a. a description of whether and how its executive incentive and remuneration structures are aligned with the **Strategic Ambition** of its transition plan; this may include information about:
 - i. the metric(s) used
 - ii. whether the metric(s) is within the short-term and/or long-term incentive plan(s)
 - iii. the typical percentage weighting of the transition plan-related metric(s) within the incentive plan for the executive population
 - iv. the percentage of total executive remuneration that is linked to transition plan-related metric(s)
 - b. a description of whether and how incentive and remuneration structures for employees across the organisation are aligned with the **Strategic Ambition** of its transition plan, including whether it has applied a consistent approach with that in 5.4.a or whether it has taken a differentiated approach for specific teams or roles.

5.5 Skills, competencies and training

An entity shall disclose information about actions it is taking or plans to take to assess, maintain, and build the appropriate skills, competencies, and knowledge across the organisation in order to achieve the **Strategic Ambition** of its transition plan.

Disclosure Recommendations

As part of this, an entity shall disclose:

- a. information about how the entity assesses whether it has the appropriate skills, competencies, and knowledge across the organisation to effectively design, develop, deliver, and govern the transition plan in accordance with its **Strategic Ambition**
- b. where it has identified a skills gap, information about actions it is taking or plans to take to acquire or develop the required skills
- c. information about actions it is taking or plans to take to provide the Board and executive management with access to the appropriate skills, competencies and knowledge required to effectively oversee the transition plan.

APPENDIX 1: REPORTING OF TRANSITION PLANS

The TCFD created an international framework for entities to disclose how they consider and respond to climate-related risks and opportunities. In June 2023 the ISSB published IFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information (IFRS S1) and IFRS S2 for Climate-related Disclosures (IFRS S2), both of which incorporate the TCFD recommendations. As of 2024, the IFRS Foundation will take over the TCFD's responsibilities for monitoring progress on companies' climate-related disclosures, thereby marking the culmination of the TCFD's work.

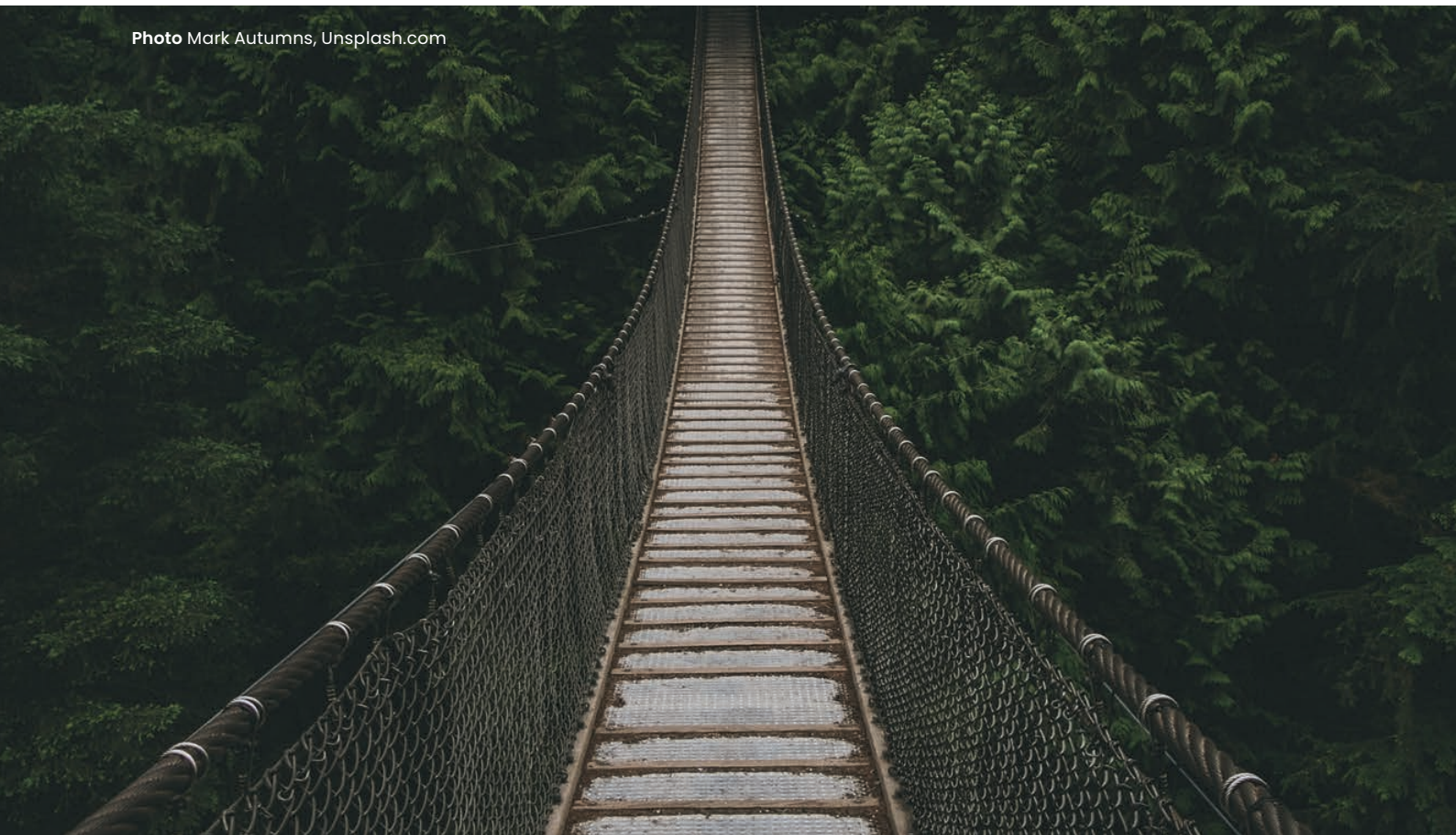
The TPT's Disclosure Recommendations are designed to be consistent with, and build on, the wider climate-related disclosure requirements in the ISSB Standards. IFRS S2 includes several provisions that are relevant to transition planning. IFRS S2 does not require an entity to have a transition plan. However, it requires disclosure of any transition plan the entity has developed.

An entity should therefore not see the TPT Disclosure Recommendations as separable from or parallel to climate-related financial disclosures prepared in accordance with the ISSB's Standards. Rather, the TPT Disclosure Framework provides additional recommendations on what a good practice climate transition plan should cover. The TPT considers that its Recommendations can be used as guidance to help entities report more effectively on the transition plan-related aspects of the ISSB Standards as part of wider sustainability-related reporting aligned with these frameworks and standards.

To support preparers through the process of integrating content from their transition plan into disclosures aligned with the ISSB Standards, the TPT has developed [technical mapping documents](#) which set out the main provisions in each of the TCFD's recommendations and IFRS S2 that contain disclosure requirements relevant to transition planning. For each provision, the TPT has identified the Recommendations in the Disclosure Framework that an entity may wish to consider as a source of additional guidance when making its disclosures.

The TPT further provides an overview of how the TPT Recommendations compare against the European Sustainability Reporting Standards (ESRS) ([see here](#)).

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LOCATION OF TRANSITION PLAN REPORTING

We recommend that entities integrate material information about their transition plan into their general purpose financial reports. In addition, the TPT regards it as good practice that entities also prepare a standalone transition plan which is periodically updated and in which entities may choose to include additional information that, while not considered material to primary users of general purpose financial reports, may be helpful for clearly communicating their strategy. See page 41 “Standalone Report” for more information.

INCORPORATING TRANSITION PLANS INTO GENERAL PURPOSE FINANCIAL REPORTS

The TPT recommends that an entity includes material information related to its transition plan, including annual progress updates, within its wider sustainability-related disclosures. As noted in Table 1, in determining material information to disclose, an entity should apply paragraphs 17–19 (and paragraphs cross-referenced in these) of IFRS S1.

The TPT would therefore expect information related to the transition plan to feature within ISSB-aligned disclosures made in relation to governance, strategy, risk management, and metrics and targets. For example:

- Information related to the governance of transition planning should be linked to, or form part of, overall governance disclosure (e.g., disclosures in line with par. 5–7 of IFRS S2).
- Key details on an entity’s transition strategy should form an integral component of its overall climate strategy disclosure (e.g. disclosures in line with par. 8–23 of IFRS S2).
- Information related to the entity’s climate-related risks and opportunities to which the transition plan responds should be reported within an overall risk management disclosure (e.g. disclosures in line with par. 23–26 of IFRS S2).
- Transition-related targets and performance metrics should form part of overall climate-related metrics and targets (e.g. disclosures in line with par. 27–37 of IFRS S2).

To further assist entities in integrating their transition plan disclosures with their wider reporting in accordance with IFRS S2, Table 1 sets out the provisions in IFRS S2 that are relevant to transition planning and on which the TPT Framework provides additional guidance.

For each relevant provision(s) in IFRS S2 in the left-hand column, the right-hand column identifies the TPT Disclosure Recommendation(s) that an entity may wish to consider as an additional source of guidance.

Following the TPT’s Disclosure Recommendations should encourage more complete, structured, and decision-useful reporting on transition plans across the economy. **Readers should note, however, that fulfilling TPT requirements does not necessarily fulfil the IFRS S2 requirements.**

Table 1: High-level mapping of relevant IFRS S2 requirements and TPT Disclosure Recommendations

Relevant IFRS S2 provisions	TPT Disclosure Recommendations for consideration
Par. 6(a)(i-v) (and 5, 29(g)(i-ii), 34(b))	5.1.a-f, 5.3.a-f, 5.4.a.i-iv, 5.4.b, 5.5.a-c
Par. 6(b)(i-ii) (and 5)	5.2.a-e
Par. 10(d)	1.1.e
Par. 13(a-b), 14(a)(i-ii)	1.2.a-b, 2.1.a-c, 2.2.a-c, 2.3.a-b
Par. 14(a)(iii)	3.1.a-d, 3.2.a-e, 3.3.a-c
Par. 14(a)(iv-v) (and 9(c))	1.1.a, 1.1.b, 1.1.c.i, 1.3
Par. 14(b)	2.4.a
Par. 16(c)(i-ii)	2.4.b
Par. 16(d)	2.4.c
Par. 17	2.4.e
Par. 18	2.4.d
Par. 19	2.4.f.i
Par. 20	2.4.f.ii
Par. 21	2.4.g
Par. 29 (a)	4.3.l-m
Par. 33 (a-h) (and 27, 34 35)	1.1.e, 4.1.a-e, 4.2.a-g, 4.3.i-k
Par. 33 (h) (and 36 (d))	1.1.c
Par. 36 (a-c) (and 27, 35)	4.3.a-h

A full mapping of relevant IFRS S2 requirements and TPT Disclosure Recommendations are provided in the [TPT-ISSB Technical Mapping](#) tables.

ALIGNMENT WITH WIDER CORPORATE REPORTING NORMS

Where including transition plan disclosures as part of its general purpose financial reports, an entity shall apply the same corporate reporting norms to these disclosures as it applies to its wider sustainability-related reporting in the same location. Table 2 below signposts corporate reporting norms from IFRS S1 to aid preparers on how to interpret them when reviewing TPT Disclosure Recommendations.

Note: This list is non-exhaustive.

Table 2: IFRS S1 Corporate Reporting Norms

Norm	IFRS S1 Excerpts Note: these excerpts are illustrative and non-exhaustive
Fair presentation	Par. 11-16
Materiality	Par. 17-19, B13-B37
Reporting entity	Par. 20, B38
Connected information	Par. 21-24, B39-B44
Location of disclosures	Par. 60-63, B45-B47
Timing of reporting	Par. 64-69, B48
Comparative information	Par. 70-71
Judgements	Par. 74-76
Measurement uncertainty	Par. 77-82
Errors	Par. 83-86, B55-B59

STANDALONE REPORT

In addition to including transition plan disclosures as part of its general purpose financial reports, the TPT regards it as good practice for an entity to publish its transition plan in a single standalone document that sits alongside its general purpose financial reports.

We recognise that this carries an additional reporting burden for entities and may lead to the duplication of some information. However, presenting the transition plan in a standalone document will enable an entity to include information that elaborates on, and provides a deeper evidence base for, the material information included in the entity's general purpose financial report. An entity may also consider including some information in a standalone report that may not be material to users of its general purpose financial reports, but may nevertheless be decision-useful to other stakeholders.

A standalone version of an entity's transition plan may also help a preparer to communicate more clearly the nuances of its strategy, improving

the ability of external audiences to understand how the entity is managing the complexities of the transition. It will also allow users to analyse, compare, and aggregate plans across entities more effectively, and to hold entities to account.

In some jurisdictions, and in some circumstances, an entity may be able to include material information about its transition plan in its general purpose financial reports by cross-referencing to a standalone plan or another report published by the entity. An entity should follow the guidance on information included by cross-reference outlined in IFRS S1 (par. B45–47).

The TPT recommends that entities update their standalone transition plan periodically, either when there are significant changes to the plan or, at the latest, every three years. If an entity prepares a long-form TCFD or sustainability report outside of the general purpose financial reporting, the transition plan should be clearly separable (e.g. as an appendix or separate document).



Glossary

Term	Definition
business model	An entity's system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the entity's strategic purposes and create value for the entity and hence generate cash flows over the short-, medium- and long-term. (Source: IFRS S1 Appendix A)
business operations	Activities that an entity performs in order to produce, market, and distribute goods and services, and remain open for business.
carbon credit	An emissions unit that is issued by a carbon crediting programme and represents an emissions reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked, and cancelled by means of an electronic registry. (Source: IFRS S2 Appendix A)
climate resilience	<p>At the entity-level: the capacity of an entity to adjust to climate-related changes, developments, or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments, and uncertainties. (Source: IFRS S2 Appendix A)</p> <p>At the systems-level: the capacity of interconnected social, economic, and ecological systems to cope with a hazardous event, trend, or disturbance, responding or reorganising in ways that maintain their essential function, identity, and structure. Resilience is a positive attribute when it maintains capacity for adaptation, learning, and/or transformation. (Source: IPCC Sixth Assessment Report, Impacts, Adaptation Vulnerability. Annex II)</p>
entity	An organisation that voluntarily chooses, or is required by law, to prepare a general purpose financial report.
general purpose financial reports	<p>Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about:</p> <ul style="list-style-type: none"> (a) buying, selling, or holding equity and debt instruments; (b) providing or selling loans and other forms of credit; or (c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources. <p>General purpose financial reports include—but are not restricted to—an entity's general purpose financial statements and sustainability-related financial disclosures. (Source: IFRS S1 Appendix A)</p>
greenhouse gases	GHGs are the six gases listed in the Kyoto Protocol: carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF ₆) (Source: Greenhouse Gas Protocol, Glossary)
just transition	The just transition involves anticipating, assessing, and addressing the social risks and opportunities of the transition to a low-GHG emissions and climate-resilient development, as well as ensuring meaningful dialogue and participation for impacted groups (including workers, communities, supply chains, and consumers) in transition planning.

Term	Definition
latest international agreement on climate change	An agreement by states, as members of the United Nations Framework Convention on Climate Change, to combat climate change. The agreements set norms and targets for a reduction in greenhouse gases. (Source: IFRS S2 Appendix A) E.g., the Paris Agreement.
material information	In the context of sustainability-related financial disclosures, information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity. (Source: IFRS S1 Appendix A)
natural environment	(a) Plants, wild animals and other living organisms; (b) their habitats; and (c) land (except buildings or other structures), air, and water, and the natural systems, cycles, and processes through which they interact.
policies and conditions	Internal guidelines developed by an organisation to govern its actions.
Scope 1 emissions	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity. (Source: IFRS S2 Appendix A)
Scope 2 emissions	Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by an entity. Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated.
Scope 3 emissions	Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the Scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and reporting Standard (2011). (Source: IFRS S2 Appendix A)
Strategic Ambition	An entity's overarching aims for its transition plan. This will comprise the entity's objectives and priorities for responding and contributing to the transition towards a low-GHG emissions, climate-resilient economy, and set out whether and how it is pursuing these objectives and priorities in a manner that captures opportunities, avoids adverse impacts for stakeholders and society, and safeguards the natural environment.
transition plan	A climate-related transition plan is an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions. (Source: IFRS S2 Appendix A)
value chain	<p>The full range of interactions, resources, and relationships related to a reporting entity's business model and the external environment in which it operates.</p> <p>A value chain encompasses the interactions, resources, and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption, and end-of-life, including interactions, resources, and relationships in the entity's operations, such as human resources; those along its supply, marketing, and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical, and regulatory environments in which the entity operates. (Source IFRS S1 Appendix A)</p>



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