



TRANSITION PLAN TASKFORCE DISCLOSURE FRAMEWORK AND IMPLEMENTATION GUIDANCE

Issued 9 March 2023

ICAEW welcomes the opportunity to comment on the Transition Plan Taskforce Disclosure Framework and Implementation Guidance published by TPT on 8 November 2022, a copy of which is available from this [link](#).

For questions on this response please contact our Financial Reporting team at frf@icaew.com quoting REP 19/23.

This response of 9 March 2023 has been prepared by ICAEW's Reputation and Influence department, led jointly by the Sustainability team and Financial Reporting Faculty. Recognised internationally as a leading authority on corporate reporting, the faculty, through its Financial and Non-Financial Reporting committees, is responsible for formulating ICAEW policy on financial and non-financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The faculty provides an extensive range of services to its approximately 20,000 members including providing practical assistance with common corporate reporting problems.

This ICAEW response also 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 designed to change behaviour to drive sustainable outcomes.

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KEY POINTS

SUPPORT FOR THE TPT INITIATIVE

1. ICAEW is a strong supporter of the efforts of the Transition Plan Taskforce (TPT) to create a framework and guidance, which we hope will drive meaningful action towards a net-zero economy. As members of the Delivery and Steering group we commend the efforts made so far in producing guidance that moves in step with international developments while considering jurisdiction-specific needs.
2. ICAEW has a strong record in sustainability, having been active in this space for over 17 years. Our activity includes advocating for action on sustainability, developing sustainability resources, and providing insight on sustainability matters. We believe that high-quality transition plans are fundamental to our vision of enabling a world of sustainable economies.
3. We believe that providing a set of requirements that asks entities to detail a plan of action is a positive step and one which takes existing requirements from a position of analysis to a position of action and progress. Taking a whole economy approach and asking organisations to consider how the actions they have taken contribute to economy-wide net-zero targets, including their impact on people and nature, has the potential to help organisations to think more strategically and drive overall ambition and action.

CLARITY OF PURPOSE

4. Exposure of both the Implementation Guidance and the Disclosure Framework simultaneously is useful for stakeholders to be able to consider the planning aspects and the reporting aspects together. However, we think there is some broad confusion about the purpose of the two documents and the way in which each should be used; in particular, we believe the Implementation Guidance has two main purposes:
 - guidance for preparing a transition plan; and
 - guidance for disclosing a transition plan.

While these two activities are intrinsically linked, they are in fact different activities, often performed by different teams within organisations and at different points in time. The guidance for disclosing a transition plan is directly applicable to the Disclosure Framework, whereas the guidance for preparing a transition plan is relevant before the reporting stage. Therefore, we strongly encourage the TPT to separate the guidance into two and clearly articulate their separate purposes so that users understand how and when to use the guidance.

5. We believe this consultation also provides an opportunity for the TPT to reflect on the work performed to date, and to set priorities for its future workstreams. Both the guidance for preparing a plan and guidance for disclosing the plan are important, but in our view, the greatest need at present, lies in providing support and guidance to help entities set appropriate ambitions and develop a plan to respond to those ambitions. Accordingly, our preference would be for the TPT to focus its immediate efforts on finalising guidance for preparing a transition plan, which we believe will drive improvements to disclosures.

UK REGULATORY FRAMEWORK

6. We understand that there is uncertainty over the way in which the TPT Disclosure Framework and Implementation Guidance may ultimately be brought into the wider UK regulatory framework. However, we also understand that the TPT has involved the FCA when drafting the proposals and that the FCA is likely to draw on this work to strengthen transition plan disclosure rules for listed companies and financial institutions in the near future.
7. We appreciate that if the Disclosure Framework were to be introduced on a non-mandatory basis, there is a risk that improvements to transition plan disclosures could be marginal. However, we believe the Disclosure Framework and Implementation Guidance need further work before forming the basis for mandatory requirements. In particular, we have concerns

over the detailed nature of the disclosure requirements, and the number of references to external guidance that are outside of regulatory control. Subject to certain amendments suggested throughout this response, we strongly support entities being encouraged to consider the documents as part of their process for producing the Task Force on Climate-Related Financial Disclosures (TCFD), International Sustainability Standards Boards (ISSB), or other climate-related disclosures.

ALIGNMENT AND ADDITIONALITY

8. It is encouraging to see that the TPT has aimed to align with and build on existing and developing frameworks and standards such as the TCFD, ISSB and Glasgow Financial Alliance for Net Zero (GFANZ). We see alignment as critical to the success of the framework. If alignment is not achieved, there could be confusion in the market, an increased reporting burden, and unnecessarily lengthy reports of questionable value.
9. We are therefore concerned that, within the Disclosure Framework and Implementation Guidance, alignment with these existing frameworks and standards has not been fully achieved. For example, we have identified some clear differences in the definition of a transition plan, the definition of a short-term time horizon and the disclosure elements themselves, which do not follow the TCFD's four pillars. We urge the TPT to address these differences as a priority.
10. It is useful to see which requirements are additional to TCFD within the Implementation Guidance. In fact, we believe the elements of the Disclosure Framework that are additional to TCFD are the most critical for reporters to understand, and so encourage any part of the framework that duplicates existing TCFD requirements to be removed. We believe the TPT should be mindful of the additional cost to businesses of reading and understanding new requirements; overlap should be avoided as far as possible.
11. We are pleased to see the inclusion of references to the Greenhouse Gas (GHG) Protocol and Science Based Targets initiative (SBTi) within the Implementation Guidance, which we believe contains some useful material. However, our preference is to refer to these materials without mandating their use. Introducing a mandatory requirement to use materials outside of the requirements themselves introduces a serious risk that these external materials are changed over time without consideration of their use in this context.

ADAPTATION

12. Within the Implementation Guidance, we understand that the TPT recommends that a good practice transition plan should cover “an entity’s high-level ambitions to mitigate, manage and respond to the changing climate...”. However, throughout the documents there is a clear emphasis on mitigation activities above adaptation activities (i.e., activities undertaken to adapt to the effects of a change in climate).
13. Given that all climate scenarios up to the year 2100 show that how we function as a society will be substantially impacted by the changing climate, we believe there should be greater emphasis on adaptation planning as part of the overall transition planning process. Adaptation planning is fundamentally intertwined with transition planning.
14. We recommend that adaptation considerations are incorporated as part of all four stages of transition planning outlined in the Implementation Guidance to ensure that entities generate a more complete and comprehensive plan.
15. In addition, we believe that the TPT need to be more explicit throughout the publications, that transition plans and the adaptation and mitigation plans that follow, should not be at the expense of nature loss.

REPORTING REQUIREMENTS OUTSIDE OF THE ANNUAL REPORT

16. On balance, we are supportive of a recommendation to produce a standalone transition plan that is separate from the annual report. There are clear benefits of this approach, particularly from a user perspective - see paragraphs 30-33 below. This support is subject to the TPT addressing the concerns outlined in paragraphs 34-38 below.

17. We believe that the Disclosure Framework and the Implementation Guidance need to clearly explain how to distinguish what detail would be included in the standalone report, the annual report, or both. If the material transition plan information is already required to be included in the annual report, it is important to provide a clear rationale for what and why additional information should be produced separately. In our view, the annual report should be used to report progress against the transition plan. The standalone report should provide a more detailed roadmap of long-term ambitions for ongoing reference.
18. Furthermore, we note that the Implementation Guidance states that “We recognise that [a standalone report] carries an additional reporting burden for entities”. It goes on to explain the benefits to users without justification of why these benefits outweigh the costs to preparers. If not performed already, a cost-benefit analysis should be undertaken to help inform decision-making here. We believe all entities should be preparing transition plans, however for those entities at the smaller end of the scale, proportionality is relevant.

REPORTING BURDEN AND CAPACITY BUILDING

19. We are concerned about the existing and increasing reporting demands on organisations. While improved disclosure on transition plans is highly desirable and the Disclosure Framework and Implementation Guidance are welcomed, the disclosure elements and sub-elements are more lengthy and detailed than is necessary. We recommend that the TPT consider stripping some of the detail back to the most essential information that adds value to current disclosures and is not duplicative. This may help to ensure entities are able to provide a good level of transition-focussed disclosure whilst acknowledging that many entities will have recently added significant sections to their annual reports to comply with the TCFD listing rules. Examples of sections that could be stripped back include the ‘Engagement Strategy’ element which overlaps with existing Section 172 requirements, and the ‘Governance’ element which overlaps with existing governance requirements included in the TCFD recommendations.
20. We are particularly interested in how the TPT intend to use results from the sandbox to inform the final version of the Disclosure Framework and it would be helpful if the TPT published the feedback in some way. We hope that the TPT allow sufficient time to fully analyse both the responses to this consultation as well as the results from the sandbox and reflect the feedback in a revised version of the Disclosure Framework. We understand the urgent need to improve the transparency of transition plans, but in our view, this needs to be balanced with the need to allow for a period of experimentation to ensure that the Disclosure Framework is fit for purpose.
21. We urge the TPT to take an active role in capacity building to help promote the success of the Disclosure Framework and Implementation Guidance. The Implementation Guidance states that “the success of any transition plan depends on the awareness, education and capacity of boards and employees”. To enable entities to have sufficient time to get resources in place we believe the TPT should consider how to appropriately phase the requirements. We understand that decisions about phasing may fall into the remit of the regulators.
22. Should the FCA ultimately draw on the finalised TPT Disclosure Framework, this will initially affect UK listed entities. However, as we have seen with other requirements (such as TCFD), these requirements may, in due course, influence the requirements applicable to smaller entities. We believe that no matter the size of entity, any net-zero ambition must have a sound plan to support it. However, the level of detail within the disclosure requirements of such entities must be proportionate to their size and we feel the TPT could do more to improve the scalability of the framework.

ASSURABILITY

23. We encourage the TPT to engage closely with the IAASB, who are developing new international standards for assurance over sustainability-related reporting, to ensure the

finalised version of the Disclosure Framework is one that is robust enough to provide the basis for the provision of assurance.

24. It is possible that transition plan disclosures that are not subject to external assurance may result in disclosure of information that users find difficult to rely upon. We suggest that the TPT comment on the level of assurance that they consider to be appropriate for the disclosure requirements set out in the Disclosure Framework.

ANSWERS TO SPECIFIC QUESTIONS

Background information

Which of the following best describes your organisation? Please select ONE only.

- *Academic, education, or research institution*
- *Financial institution [including asset owner, asset manager, bank, financial service provider (e.g. data provider, assurance provider, ratings agency, exchange), insurer, investment consultant]*
- *Government*
- *Central Bank*
- *Financial Supervisor*
- *Other Regulatory Agency*
- *Not-for-profit*
- *Private Sector, non-financial*
- **Other (please specify):**

25. Professional membership organisation

Please select the option that best describes the financial sub-sector in which you work. Please select ONE only.

- *Asset owner (e.g., pension fund, sovereign wealth fund)*
- *Asset manager*
- *Banking (e.g., retail, commercial, and/or investment banking)*
- *Financial services (including data/index providers, exchanges, investment consultants, ratings agencies, and other financial service providers)*
- *Insurance*
- *Professional services (including assurance providers, consultants, legal practitioners, and other professional service providers)*
- **Other (please specify):**

26. Professional membership organisation – chartered accountants.

Please select the option that best describes the sub-sector in which you work. Please select ONE only.

- *Consumer goods*
- *Extractives & minerals processing*
- *Food & beverage*
- *Health care*
- *Infrastructure (e.g., utilities, real estate, waste management etc.)*
- *Renewable resources & alternative energy (e.g., wind technology, forestry & paper)*
- *Resource transformation (e.g., industrials & chemicals)*
- *Services (e.g., media, hospitality & recreation, education)*
- *Technology & communications (e.g., internet media & services, telecommunications)*

27. Professional membership organisation – chartered accountants.

Are you a transition plan preparer, a user of other entities' transition plans or both a user and a preparer?

28. Our working party consists of both transition plan preparers and users of transition plans.

Definition

The TPT Framework includes a definition of a transition plan. How would you describe this definition?

a) The definition is complete and provides a sound basis for transition planning.

b) Overall, the definition provides a sound basis for transition planning, but there are relevant omissions.

c) The definition does not provide a sound basis for transition planning.

d) Don't know

29. We believe that the definition provides the characteristics of a transition plan rather than an actual definition of one and therefore needs to be strengthened. The definition of a transition plan provided in the TPT Disclosure Framework does not align with existing definitions in the TCFD literature or the draft ISSB standards. We urge the TPT to better align the wording in its definition with the TCFD/ISSB so that there are no discrepancies that may lead to differences in understanding and interpretation.

Where and how to disclose: Preparer Feedback

In both the TPT Framework and the Implementation Guidance, we recommend that entities:

a. Publish a standalone transition plan,

b. Update the standalone transition plan at least every three years or sooner where there have been substantive changes, and

c. Report progress against the plan and all other content in the plan that is deemed to be material to investors, consistent with corporate reporting norms, as part of annual TCFD- or ISSB-aligned disclosures in general purpose financial reporting.

If your entity has prepared a transition plan, or is planning to prepare a transition plan: to what extent do you agree with the recommendation to:

a. Publish a standalone transition plan

- Strongly agree
- Agree
- **Neither agree nor disagree**
- Disagree
- Not sure

Please explain your selection for a, including by providing relevant information on the costs and benefits of preparing a standalone plan

SUPPORT FOR A STANDALONE OPTION

30. On balance, we are supportive of a recommendation to produce a standalone transition plan that is separate from the annual report. There are clear benefits, particularly from a user perspective, as discussed below. This support is subject to the TPT addressing some of the concerns outlined in paragraphs 34-39.

31. In our view, preparing and publishing a standalone transition plan has a number of benefits. Firstly, given the transition plan is more akin to a forward-looking planning document rather than a reporting document, we can see that it may well fit better outside of the annual report. The standalone transition plan should represent a roadmap to deliver a stated ambition, as opposed to just accounting for actions that have already been fulfilled.

32. Secondly, it is well recognised that the annual report is already a lengthy document and therefore adding additional reporting requirements into the annual report is not ideal. Keeping the transition plan as a separate document would mean less pressure on annual report preparers and could be produced and published at a different time point in the year (although this would come with additional challenges). It also allows additional useful detail to be disclosed without the pressures of constraining the length of the report.
33. We recognise that publishing the plan separately should help to keep the transition plan information in one place and therefore easier for users to navigate as well as analyse and compare with other entities.

CONCERNS THAT NEED TO BE ADDRESSED

34. Notwithstanding our support, our primary concern with a standalone report is that neither the Disclosure Framework nor the Implementation Guidance clearly explain how to distinguish what detail would be expected to be included in the standalone report, the annual report, or both. We believe this needs to be made clearer.
35. The Disclosure Framework (page 13) explains that material information needs to be included in the annual report suggesting that immaterial information should be included in the standalone report, however we are not sure this is the TPT's expectation, particularly as the document also says that entities should approach materiality in the same way for reporting the transition plan as the annual report. It appears the TPT expects the standalone report to contain all of the information included in the annual report with an additional layer of information. The standalone report may also be expected to contain a deeper level of detail than the annual report disclosures. If this is the case, we feel that the TPT needs to be explicit on the nature of such additional disclosure.
36. We believe the annual report should report progress against the transition plan, whereas the standalone report should provide a more detailed roadmap of long-term ambitions. If the material transition plan information is already required to be produced for the annual report, we believe it is very important to explain what and why additional information should be produced separately.
37. The Implementation Guidance states that "We recognise that [a standalone report] carries an additional reporting burden for entities". It goes on to explain the benefits to users without justification of why these benefits outweigh the costs to preparers. If not performed already, a cost-benefit analysis should be undertaken to inform decision-making here. We believe all entities should be preparing transition plans, however for those entities at the smaller end of the scale, proportionality is relevant and must be considered so that the level of disclosure of the transition plan is commensurate with the size and scale of the business.
38. Publishing the transition plan in a separate report also risks a lack of connection with the annual report including the strategic report and the financial statements. We believe the connectivity with the financial statements (when appropriate) and telling a consistent story between the narrative disclosures and the financial statements is very important. We believe this risk could be mitigated if the connection to the relevant disclosures in the annual report is clearly described in the transition plan. Where disclosures are required to be made in both documents, it is critical that this is done consistently so that users are able to easily reconcile between the reports.

LOOKING AHEAD

39. We understand that the TPT's mandate is to produce a disclosure framework and associated implementation guidance for plans to transition to a low carbon economy and therefore the principal focus of the TPT is to support the reduction of GHG emissions. There are, however, other sustainability topics to consider such as reducing nature loss, improving social impacts and others. We would like the TPT to broaden the scope of its good work in order to future proof the Disclosure Framework allowing for developments in these other areas. Entities should not be expected to produce an ever-increasing list of standalone reports.

b. Update the standalone transition plan at least every three years

- **Strongly agree**
- **Agree**
- **Neither agree nor disagree**
- **Disagree**
- **Not sure**

Please explain your selection for b, including by providing relevant information on the costs and benefits of periodically updating the standalone plan

40. Although three years is fine in principle, perhaps the timing of the standalone transition plan should be linked to the corporate strategy and aligned with the monitoring of other business goals. While it is reasonable to expect this to be at least every three years, entities ought to explain if this is not the case.
41. We would like the Disclosure Framework to clearly explain if reporting in the annual report is expected to be any different in the years when a standalone report is also published.

c. Report progress against the plan and all other material content, consistent with corporate reporting norms, as part of annual TCFD- or ISSB-aligned disclosures

- **Strongly agree**
- **Agree**
- **Neither agree nor disagree**
- **Disagree**
- **Not sure**

Please explain your selection for c, including by providing relevant information on the costs and benefits of extracting material information for inclusion in general purpose financial reporting

ANNUAL REPORT OR STANDALONE REPORT

42. We agree that reporting the plan, and progress against the plan, should be consistent with other reporting norms when making disclosures in the annual report. Further comments are provided below under the 'Reporting Norms' questions.
43. It is not clear whether entities are expected to report consistently with corporate reporting norms for the additional standalone report. As previously noted, we believe that the TPT needs to be clearer in explaining what additional information is required for the standalone report as opposed to the annual report disclosures, particularly where materiality is relevant. Page 13 of the Disclosure Framework document states that "entities should apply the same reporting norms to their transition plan disclosures as they would to their general-purpose financial reporting...entities should approach materiality in the same way". However, this section does not distinguish between the annual report disclosures and the standalone transition plan.

CHANGES IN ESTIMATES

44. The Disclosure Framework and Implementation Guidance do not appear to address how entities are to deal with changes in estimates and comparative information. As many climate-related metrics are immature, with estimation techniques still evolving, it is inevitable that changes in estimates and estimation techniques will occur. We believe the TPT need to be explicit in both the Disclosure Framework and the Implementation Guidance regarding the circumstances in which entities should disclose information about changes in estimates and comparative information and resulting changes in targets.
45. There may be significant consequences as estimation techniques change and data quality improves for entities that participate in sustainability-linked lending or make use of sustainable bonds. Without setting out the requirements in this area, there is a risk of lack of

comparability due to inconsistent reporting of changes to estimates and comparative information.

46. The ISSB is in the process of updating its draft requirements for comparative information and updated estimates. We urge the TPT to align with or reference the ISSB's final requirement once they are available.

Where and how to disclose: User Feedback

If your entity is a user of transition plans, how helpful do you find these recommendations?

a. Publish a standalone transition plan

- *Very helpful*
- *Helpful*
- **Neither helpful nor unhelpful**
- *Very unhelpful*
- *Not sure*

Please explain your selection for a, including by providing relevant information on the drawbacks and benefits of preparing a standalone plan

47. Please refer to our answer under 'Preparer Feedback' which includes both preparer and user views.

b. Update the standalone transition plan at least every three years

- *Very helpful*
- *Helpful*
- **Neither helpful nor unhelpful**
- *Very unhelpful*
- *Not sure*

Please explain your selection for b, including by providing relevant information on the drawbacks and benefits of using a standalone plan that is periodically updated

48. Please refer to our answer under 'Preparer Feedback' which includes both preparer and user views.

c. Report progress against the plan and all other material content, consistent with corporate reporting norms, as part of annual TCFD- or ISSB-aligned disclosures

- **Very helpful**
- *Helpful*
- *Neither helpful nor unhelpful*
- *Very unhelpful*
- *Not sure*

Please explain your selection for c, including by providing relevant information on the drawbacks and benefits of extracting material information for inclusion in general purpose financial reporting

49. Please refer to our answer under 'Preparer Feedback' which includes both preparer and user views.

Where and how to disclose: Reporting Norms

The Implementation Guidance contains guidance on the implications of five key reporting norms from the TCFD and ISSB for transition plans. If your entity has prepared a transition plan, or is planning to prepare a transition plan: do you think the guidance provided is useful in supporting effective disclosure and sufficiently detailed?

50. As previously noted, it is not clear whether entities are expected to report consistently with corporate reporting norms for the additional standalone report. Clarity on this is critical,

particularly with regard to materiality but also for other corporate reporting norms such as links to the financial statements.

51. Further comments on the five key reporting norms identified are set out below.

1. Reporting Boundaries

a. The guidance is useful in supporting effective disclosure and is sufficiently detailed.

b. The guidance is useful in supporting effective disclosure but lacks sufficient detail.

c. The guidance is not useful in supporting effective disclosure.

d. Don't know

If b) or c): Please explain why you gave that answer

52. We agree that it is appropriate to use the same reporting boundary for transition plan disclosures as set out in the ISSB's exposure draft.

53. The Implementation Guidance provides some guidance on how to identify relevant Scope 3 activities but provides little detail on how to disclose these, particularly on how to appropriately disclose reporting limits on Scope 3 emissions if an entity is omitting certain Scope 3 activities. The GHG protocol is included for guidance on reporting emissions, but the protocol fails to provide information on how to report omissions. It would be useful to provide an example of best practice for identifying and justifying exclusions. We appreciate further detail may be provided in sector specific guidance but, if this is the case, the Disclosure Framework should make provision for reference to this.

2. Links between climate-related disclosures and financial statements

a. The guidance is useful in supporting effective disclosure and is sufficiently detailed.

b. The guidance is useful in supporting effective disclosure but lacks sufficient detail.

c. The guidance is not useful in supporting effective disclosure.

d. Don't know

If b) or c): Please explain why you gave that answer

54. We support the principle that an entity should seek to ensure information is disclosed on a similar basis for transition plan disclosures as it is for the financial statements. However, we feel that the example provided on page 25 of the Implementation Guidance that suggests transition plan disclosures are disaggregated into operating segments, might not be practicable for all organisations. In such situations, we feel entities should be allowed the flexibility to explain why they are unable to do so.

55. We believe additional guidance would be useful to explain how entities should link disclosure of future capital expenditure towards decarbonisation efforts with actual capital expenditure in the financial statements. Providing guidance and an example of how future commitments can be reconciled to actual spend would be valuable particularly as the different reporting periods can make this a real challenge for reporters, yet users value the traceability of future commitments.

3. Materiality

a. The guidance is useful in supporting effective disclosure and is sufficiently detailed.

b. The guidance is useful in supporting effective disclosure but lacks sufficient detail.

c. The guidance is not useful in supporting effective disclosure.

d. Don't know

If b) or c): Please explain why you gave that answer

56. Notwithstanding the need for further clarity on the application of materiality for the standalone report (explained in paragraph 35 above), it is clear from the Implementation Guidance that the TPT has chosen to approach materiality in the same way as organisations are currently required to determine material information for their general-purpose financial reporting, that is to say, information that could reasonably be expected to influence the decisions of primary users. This is often referred to as 'financial' materiality - an approach that considers impacts

on other stakeholders if they are material to the success of the business. We agree that this approach is the right approach and aligns well with the ISSB's current approach.

57. The other well-known approach to materiality with regard to sustainability reporting is 'double' or 'dual' materiality which includes financial materiality but also explicitly includes information that could have an impact on the economy, environment or society that wouldn't necessarily be material to the business itself.
58. In places the Disclosure Framework and Implementation Guidance appear to be asking entities to consider disclosing on matters that would not necessarily be material to the business itself when disclosing a transition plan. To demonstrate, they outline how a good practice transition plan should cover measures to address material risks to, and leverage opportunities for, the natural environment and stakeholders such as the workforce, suppliers, impacted communities and customers which arise as part of these actions. Consideration of these wider stakeholders is also referred to in a number of the disclosure recommendations (1.2 Business model implications, 2.1 Business planning and operations, 2.3 Policies and conditions).
59. We strongly suggest that guidance is added to specifically explain how materiality judgements are made when making decisions about the level of disclosure required for transition plans. We believe there is a lack of sufficient detail or appropriate examples to illustrate how to make materiality judgements on qualitative factors, or factors that may be material in the medium to long term. We also believe that a specific provision should be included within the Disclosure Framework to state that an entity need not disclose required information if that information would not be material to the entity.
60. One suggestion is that the Implementation Guidance or Disclosure Framework could ask entities to provide detail on how they have applied materiality in the context of their business including the judgements and assumptions made. It would be helpful to ensure, however, that entities are provided with clear principles to ensure any such disclosures are provided in a broadly consistent way.

4. Incorporation of interdependent issues such as social impacts, nature and adaptation

a. The guidance is useful in supporting effective disclosure and is sufficiently detailed.

b. The guidance is useful in supporting effective disclosure but lacks sufficient detail.

c. The guidance is not useful in supporting effective disclosure.

d. Don't know

If b) or c): Please explain why you gave that answer

61. We believe the Disclosure Framework and Implementation Guidance currently lacks detail about how entities should consider issues beyond climate change and decarbonisation efforts. At a strategic level, interdependencies are being considered by entities, but this needs to be supported by and further expanded upon within the transition plan. It would be useful for the TPT to use a case study within its literature that explores interdependent issues such as nature and social impacts as part of the transition planning process.
62. Identifying interdependencies is a crucial step for entities but there is little information included to help entities disclose how these interdependencies are measured and balanced against one another.
63. The existing examples used throughout the Implementation Guidance are carbon focussed and we believe they do not sufficiently explore potential interdependencies. It might be possible to use the output from the sandbox to capture appropriate examples/case studies to enhance the existing proposals.
64. We also believe that more detail is needed in the Disclosure Framework and Implementation Guidance regarding adaptation considerations and disclosure. Currently, there is very little mentioned on adaptation throughout the documents aside from aligning with national adaptation plans. All climate scenarios up to the year 2100 show that how we function as a society will be substantially impacted by the changing climate. As such, we believe there should be greater emphasis on adaptation planning as part of the overall transition planning process as adaptation planning is so fundamentally intertwined with transition planning.

5. Treatment of Uncertainty

a. The guidance is useful in supporting effective disclosure and is sufficiently detailed.

b. The guidance is useful in supporting effective disclosure but lacks sufficient detail.

c. The guidance is not useful in supporting effective disclosure.

d. Don't know

If b) or c): Please explain why you gave that answer

65. We are pleased to see that the treatment of uncertainty is addressed in the Implementation Guidance, however, we feel this needs to be significantly expanded upon. Given that some transition plans will be looking 20-30 years in the future, there will be significant amounts of uncertainty – be this around data estimation, timing of events, economic responses to changes, government policy, model uncertainty or others. The Implementation Guidance seems to focus solely on data uncertainty which, of course, is part of the challenge but not the whole problem.
66. The treatment of uncertainty (at the planning stage and the disclosure stage) is an area which businesses are likely to be more apprehensive about. The Implementation Guidance is helpful to reassure entities that there is a common understanding of the significant uncertainties that exist when transition planning. But there is little to support entities with how to deal with this when planning and disclosing. We believe that the TPT could do more to support entities in this area.
67. Scenario analysis is one tool that can be utilised to estimate future climate and societal impacts, but organisations need further guidance on the appropriate scenarios to use. The Implementation Guidance references many external resources but does not reference any external scenarios that may be useful to entities such as those provided by the Intergovernmental Panel on Climate Change (IPCC). We also strongly support additional guidance targeted at smaller organisations for which the existing scenarios may not be suitable. Scenarios which refer principally to macroeconomic changes are less useful for some sectors and smaller enterprises who should be encouraged to formulate scenarios more specific to their particular risks.

The Framework: Overall

In the TPT Disclosure Framework we set out recommendations for entities to report against five elements and 19 sub-elements of a transition plan. Do you agree with the overall framework?

a) Yes, I agree with the overall framework.

b) Yes, I broadly agree with the overall framework, but I have comments or suggestions.

c) No, I do not agree with the overall framework.

If b) or c): Please explain why you gave that answer

LESS IS MORE

68. As previously noted, our strong preference would be for the TPT to focus its immediate efforts on the development of guidance on preparing a transition plan. In our view, if the focus is on guidance for preparation of a transition plan, this should drive improvements to disclosures as a matter of course.
69. We are concerned about the existing and increasing reporting burden for organisations. While improved disclosure on transition plans is highly desirable and the TPT Disclosure Framework and Implementation Guidance are clearly needed, the disclosure elements and sub-elements are lengthy and detailed. We recommend that the TPT consider stripping some of the detail back to the most essential information that is additive and not duplicative. This may help to ensure entities are able to provide a good level of transition-focussed disclosure and also acknowledging that many entities will have recently added significant sections to their annual reports to comply with the TCFD listing rules.
70. We suggest that the TPT considers restructuring the Disclosure Framework to clearly highlight the disclosure requirements that are over and above the TCFD disclosures so that reporters can easily identify the additional considerations needed to comply with this

framework. We also suggest that the Implementation Guidance clearly explains the rationale for the level of additional disclosure under each disclosure sub-element.

71. As previously noted, we believe alignment with existing requirements, such as the TCFD framework, to be critical to the success of any future framework such as the Disclosure Framework proposed by the TPT. In this regard, we recommend that the TPT should reorganise the five disclosure elements into the four TCFD pillar headings to help entities understand how to apply this framework to their existing reporting.

RISK TO IMPLEMENTING THE PLAN

72. An element that we believe is missing from the Disclosure Framework is the risk of unsuccessful implementation of the transition plan. We believe entities should be required to disclose the risks that could disrupt the implementation of the plan and what mitigating actions they could take.

UK GOLD STANDARD OR INTERNATIONALISE

73. We understand and support the desire of the TPT to produce a 'gold standard' for transition plans and the associated disclosures. If the Disclosure Framework is adopted into UK regulation/legislation, it may well be the first of its kind to be made mandatory for certain reporting entities. With the level of detail required in the current Disclosure Framework, we do have concerns that this may put the UK at a competitive disadvantage. It might be better for the TPT to aim for the framework to be taken on by the ISSB for a more international roll-out.
74. Similarly, we are concerned that the UK listed market could face further disadvantage when compared to those in the unlisted market if these requirements are introduced by the FCA as opposed to through legislation.

COMMERCIAL SENSITIVITY

75. We believe caution needs to be taken not to ask entities to disclose information that would be deemed to be overly commercially sensitive. At times, we think the Disclosure Framework asks entities to disclose details which are integral to the business plan, not just the transition plan – for example, granular information about specific future investment plans that have inherent uncertainties due to their forward-looking nature.
76. The ISSB has recently discussed introducing an exemption that would permit an entity to exclude information related to its sustainability-related opportunities when that information is commercially sensitive. The TPT may wish to use a similar approach for certain disclosure requirements around financial and business planning sub-elements.

The Framework: User and Preparer Feedback

In the TPT Disclosure Framework we provide disclosure recommendations aimed to assist entities to disclose credible, useful, and consistent transition plans.

For each of the following disclosure sub-elements, answer the following:

- a. please assess the expected level of difficulty of implementing each sub-element (preparer)***
- b. please assess the extent to which you expect disclosures in line with our recommendations to be useful for informing your decisions (user)***
- c. where relevant, how would you suggest we change the disclosure recommendation?***

The Guidance: Interpreting the Sub-elements

In the Implementation Guidance we provide additional interpretative guidance for each sub-element, aimed to help preparers assess and implement the guidance. The interpretative guidance sits beneath an overview of 'TCFD additionality' for each sub-element.

Do you agree with the content of the interpretative guidance for each sub-element? Please consider the granularity of the information requested when you consider the overall content.

Where relevant, how would you suggest we change the interpretative guidance?

77. In considering the disclosure sub-elements we have elected to review both the Disclosure Framework and the Implementation Guidance together. Therefore, the comments below consider both the user and preparer perspective of each sub-element as well as the associated TPT guidance.

1. Foundations

1.1 Objectives and Priorities

78. The definition of a transition plan in the TPT documents explains that the transition plan is the entity's plan to contribute to, and prepare for, a rapid global transition to a low-carbon economy. However, this sub-element and disclosure recommendation asks entities to include objectives and priorities to the physical as well as transition risks associated with the changing climate. We do not disagree with this sub-element but believe it highlights that the Disclosure Framework goes beyond just the entity's transition and should recognise this fact more explicitly.
79. Adaptation considerations are touched upon within the overall framework and in this disclosure element, but we believe this needs to come through more strongly and with more clarity.
80. The interpretive guidance for this sub-element explains that entities need to disclose the reason for any omissions of Scope 3 emissions. We would like to see examples and guidance as to how entities are to make judgements about any exclusions of Scope 3 emissions.

1.2 Business model implications

81. This disclosure element asks entities to consider business model implications but does not ask for any disclosure of an organisation's resilience or business model resilience. We suggest that the TPT seeks to complement existing TCFD guidance in this area to re-enforce the resilience elements.

2. Implementation Strategy

2.1 Business Planning and Operations

82. Under this sub-element entities are asked: "where possible, quantify the contribution of each business and operational action towards achieving the objectives and priorities outlined under 1. Foundations". We do not believe this requirement is practical as it is not possible to identify the incremental contribution of a single action as actions always work in conjunction with the overall plan.
83. It may be more useful (and practical) to ask entities to disclose a broad indication of where certain proportions of overall emissions come from and quantify this. Users may value an understanding that, for example, X tonnes of carbon comes from the transport fleet, and what the impact of the overall plan will have on this number.

2.2 Products and Services

84. Entities are asked to disclose plans to change its portfolio of products and services to support the transition plan. It is not clear what entities should report if they only manufacture one product or provide a single service.

2.3 Policies and Conditions

85. No specific comments.

2.4 Financial Planning

86. This requirement asks entities to predict and disclose future financial performance and position. However, the Implementation Guidance does not appear to acknowledge the significant uncertainties that arise when performing this exercise. We feel there is a need to provide entities with guidance to help them navigate the inherent uncertainties involved particularly over longer time horizons.
87. We understand the desire for entities to disclose information about the future costs associated with transitioning to a low-carbon economy, but would like to highlight the potential for entities to feel a commitment to a number that ultimately becomes unachievable or unrealistic.

2.5 Sensitivity Analysis

88. No specific comments.

3. Engagement Strategy

3.1 Engagement with Value Chain

89. The engagement strategy section of the Disclosure Framework has significant overlap with the requirements in Section 172 of the UK Companies Act. Rather than repeating a requirement that is already embedded in UK Company Law, we would recommend that the TPT focus on encouraging entities to better comply with their duty to promote the success of the company while having regard to the six factors listed in section 172. These factors include the interests of the company's employees, the need to foster the company's business relationships with suppliers, customers and others and the impact of the company's operations on the community and the environment.

3.2 Engagement with Industry

90. See paragraph 89 above.

3.3 Engagement with Government, Public Sector and Civil Society

91. See paragraph 89 above.

4. Metrics and Targets

4.1 Governance, Business and Operational Metrics and Targets

92. When entities are developing metrics related to any sustainability issues, they should be asked to focus on metrics that matter – those that look not only at outcomes for the entity, but also the impact on wider society and the economy. We believe there should be much greater focus on the 'so what?' element of the reported metrics rather than reporting on all possible metrics.
93. Guidance from the Partnership for Carbon Accounting Financials (PCAF) on data quality would be relevant and appropriate to include in this section of the Implementation Guidance.
94. We believe that this section of the Implementation Guidance should set out in practical terms how this is grounded internally (not just how it is disclosed), such as any training or upskilling of staff and board members. Inclusion of internal audit and risk management responsibilities that check whether internal policies are being followed and monitor the level of non-compliance. Ideally the disclosure should explain how organisations are holding themselves to account if they do not meet these targets.

4.2 Financial Metrics and Targets

95. No specific comments.

4.3 GHG emissions Metrics and Targets

96. We are pleased to see the inclusion of references to the GHG Protocol and SBTi within the documents, which we believe contains some useful material. We encourage the TPT to take relevant excerpts from the Protocol and include them in the Implementation Guidance without mandating the use of the external material itself. There is a risk of an external document like this to be changed without consideration of their use in this context.

4.4 Carbon Credits

97. We recognise that carbon credits will be part of many entities' net-zero strategies and therefore an appropriate framework for disclosing how much entities are relying on carbon credits to reach a net-zero position is important. We also believe that detail about the type of carbon credits being used is critical, (eg, are they certified, who are they certified by, how permanent are they, and whether they are linked to carbon removal or carbon avoidance etc).

5. Governance

5.1 Board Oversight and Reporting

98. Although it is clear from the Implementation Guidance that there is an element of additionality within the Disclosure Framework for governance disclosures over and above the TCFD recommendations, we feel that adding to the existing governance requirements is not especially useful.
99. We appreciate that the TPT Disclosure Framework adds additional specificity and granularity that is not required elsewhere but believe this sits better as guidance to support existing requirements rather than as another layer of requirements for entities to follow.

5.2 Roles, Responsibility and Accountability

100. No specific comments.

5.3 Culture

101. No specific comments.

5.4 Incentives and Remuneration

102. We do not agree that entities should be asked to disclose the percentage of remuneration that is linked to transition plan related considerations, as it will not always be possible for entities to do this. For example, transition plan related components may underpin group targets to be achieved in aggregate. A better approach may be to ask entities to describe the extent to which entity remuneration practices are dependent on the implementation of the transition plan.

5.5 Skills, Competencies and Training

103. No specific comments.

The Guidance: The Four Stages

In the Implementation Guidance we provide additional guidance for preparers, outlining four key stages to preparing a transition plan. At each stage, the guidance outlines process steps for the entity to disclose against the TPT Framework.

- a. Do you agree with the content of the Implementation Guidance for each stage?*
- b. Is this guidance sufficiently granular?*
- c. Are there any other comments that you would like to provide on the TPT Implementation Guidance?*

Stage 1: Baselineing current position

104. No specific comments.

Stage 2: Setting Ambition

105. No specific comments.

Stage 3: Developing an Action Plan

106. No specific comments.

Stage 4: Ensuring Accountability for Delivery

107. No specific comments.

The Guidance: Additional comments

Are there any other comments that you would like to provide on the TPT Implementation Guidance?

108. In our view, the four key stages set out in the TPT Implementation Guidance form a comprehensive and practical guide to developing a transition plan. We support the structure used and believe the content provides exactly the type of guidance currently missing for entities. Whilst some entities already report under the TCFD framework, we believe there is a need to report more clearly as to how their ambitions have been put into action.
109. Consequently, we believe that the four key stages to preparing a transition plan are the most important part of the TPT guidance package. The need for support and guidance to help entities set appropriate ambitions and develop a plan to respond to the ambitions is greater than the need for support on disclosure.
110. We feel that the emphasis within the consultation documents is currently too heavily weighted towards the disclosure side and not strong enough on the planning side and we recommend that the TPT readdress this balance. We also strongly encourage the TPT to separate the guidance into two and clearly articulate their separate purposes so that users understand how and when to use the guidance.

Further comments

Is there any additional information that you would like to communicate to the TPT about these consultation documents?

111. When finalising the consultation documents, we urge the TPT to be mindful of the progression and interaction with other projects which will impact reporters such as the finalisation of the ISSB standards, the UK green taxonomy and additional resilience statement requirements.
112. Section two of the TPT Technical Annex maps the TPT Implementation Guidance to the TCFD recommendations which is useful. Although this consultation does not consider the contents of the Technical Annex, we observed that the mapping that has been done considers the specific transition plan disclosure requirements within the TCFD 2021

implementation guidance but does not consider any overlap with the overarching four pillars and 11 disclosure recommendations of the TCFD. We believe this is where much of the overlap between TCFD and TPT recommendations occurs and therefore would benefit from a wider mapping exercise.