TPT IMPLEMENTATION GUIDANCE

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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. Neither the TPT Disclosure Framework nor any guidance prepared by the TPT is statutory or regulatory guidance, though they may form an input for the development of such guidance at a later date. TPT materials are not intended to alter or otherwise affect rights or obligations under statute or regulation. These outputs may nevertheless be informative for entities which are preparing transition plans in accordance with the Financial Conduct Authority’s (FCA) initial expectations on disclosure of transition plans by asset managers and FCA-regulated asset owners (ESG 2 in the FCA Handbook), and listed companies (LR 9.8.6 (b) in the FCA Handbook) in accordance with the guidance from the Task Force on Climate-related Financial Disclosures (TCFD).
Preface: About the TPT

BACKGROUND & RATIONALE

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, in the context that nearly every country has also announced targets to reach net zero emissions around the middle of the century under the Paris Agreement1.

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 plans2. 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 economy3. The Chancellor also set out that the UK will move towards making publication of transition plans mandatory.

These developments create a new operating context for the private sector. A growing number of entities have already announced net zero targets and other climate pledges. As of June 2022, around 702 companies from the Forbes 2000 list have announced a net zero target4. Early plans have varied in quality and often lack detail on the short-term actions that are being taken to achieve these targets. This makes it difficult to assess the credibility of individual plans, or to compare approaches to transition planning across multiple entities. The Transition Plan Taskforce (TPT) will make recommendations to inform both the UK’s regulatory requirements on transition plan disclosures and supporting guidance.

The TPT is simultaneously consulting on the TPT Disclosure Framework, and Implementation Guidance. This draft of the Implementation Guidance will be open to consultation until 28 February 2023. Consultation responses should be submitted via the TPT Website.

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1) See UK Climate Change Act 2008 and the UK’s Nationally Determined Contribution, as updated September 2022
2) See Greening Finance: A Roadmap to Sustainable Investing, October 2021
3) See Fact Sheet: Net Zero-aligned Financial Centre
4) See Net Zero Stocktake 2022, June 2022
Introduction

The Transition Plan Taskforce (TPT) has launched the first draft of the TPT Disclosure Framework (the Disclosure Framework or Framework) for consultation. This Implementation Guidance accompanies the Framework and aims to support two key audiences:

- **For preparers** – it can be used to assist in the preparation of credible, useful, and consistent transition plans in line with the TPT Disclosure Framework.

- **For users** – it outlines why transition plans are useful, encourages the creation of standardised and comparable disclosures and provides a standard against which plans can be assessed.

This Implementation Guidance supports entities to prepare transition plans. It covers:

**Chapter 1** A summary of key planning stages and process steps entities may consider following when preparing a credible transition plan.

**Chapter 2** An overview of where, when and how to disclose transition plans against the TPT Disclosure Framework, including how the Framework aligns with existing and emerging standard and wider corporate reporting norms. The Implementation Guidance provides interpretative guidance for each of the Sub-Elements in the Framework on how to meet the disclosure recommendations.

**Chapter 3** An overview of how external stakeholders might use transition plans to inform their strategic decision-making.

Both the Framework and this Implementation Guidance are designed to apply across sectors. The TPT will develop sector-specific guidance in 2023.
INFOBOX 1:
KEY CONCEPTS FROM THE TPT DISCLOSURE FRAMEWORK

This Implementation Guidance builds on key concepts developed in the Framework. These include a transition plan definition and three guiding principles (Ambition, Action and Accountability) to assist entities in applying the Framework disclosure recommendations.

The TPT defines a transition plan as follows:

A transition plan is integral to an entity’s overall strategy, setting out its plan to contribute to and prepare for a rapid global transition towards a low GHG-emissions economy. 5;6

The TPT recommends that a good practice transition plan should cover:

a. an entity’s high-level ambitions to mitigate, manage and respond to the changing climate and to leverage opportunities of the transition to a low GHG and climate resilient economy. This includes GHG reduction targets (e.g., a net zero commitment);

b. short-, medium- and long-term actions the entity plans to take to achieve its strategic ambition, alongside details on how those steps will be financed;

c. governance and accountability mechanisms that support delivery of the plan and robust periodic reporting; and

d. measures to address material risks to, and leverage opportunities for, the natural environment and stakeholders such as the workforce, supply chains, communities or customers which arise as part of these actions.

5) In a manner that is consistent with its constitutional documents and the duties of its directors and senior managers.
6) Transition plans should reflect the urgency to act. An entity’s transition plan should therefore be informed by both national commitments and the latest international agreement on climate change. This should also include relevant commitments made by jurisdictions in which the entity operates (i.e. Nationally Determined Contributions submitted under the Paris Agreement). For entities headquartered in the UK, this means that a transition plan should explain how the entity has taken into account the UK’s legal commitment to reducing GHG by at least 100% of 1990 levels (net zero) by 2050 and the interim targets defined in the Sixth Carbon Budget.
The Disclosure Framework is grounded in three guiding principles:

1. “Ambition” – Contribute to and prepare for a rapid and orderly economy-wide net zero transition.

A transition plan should outline ambitious objectives and priorities for contributing to and preparing for a rapid and orderly economy-wide net zero transition. The plan should cover the whole entity, consider the full range of levers that the entity has available, and emphasise actions that can be expected to make significant contributions to an economy-wide transition. This implies that any emissions reduction target should consider Scope 1, 2, and 3 emissions and should prioritise decarbonisation through direct abatement over purchasing carbon credits. A plan should include any transition-relevant actions which are material to the entity’s long term enterprise value. An entity should therefore examine all material interdependencies, including those that relate to the natural environment, workers, suppliers, communities, and consumers. Transition plans should reflect the urgency to act. An entity’s transition plan should therefore be informed by both national commitments and latest international agreement on climate change.

2. “Action” – Focus on concrete actions which emphasise the short-term and strive for resilience.

A transition plan should translate ambitious strategic objectives into concrete steps to be taken in the short- and medium-term. A transition plan is integral to an entity’s overall strategy. As such, it should be connected to the entity’s business and operations planning and the financial accounts, and underpinned by clearly articulated resourcing plans. An entity should develop its plan on the basis of defined assumptions and an analysis of dependencies and uncertainties. It should assess the sensitivity of the plan to changes in these assumptions and seek to mitigate delivery risks where possible.

3. “Accountability” – Enable delivery of the plan through clear governance mechanisms along with consistent, comparable and decision-useful reporting and verification.

Delivery of a transition plan should be supported by robust governance mechanisms, including Board and executive oversight, with relevant and appropriate incentivisation, reporting and accountability structures. The actionable steps set out in the transition plan should be underpinned by quantified and timebound metrics and targets that are reported against on an annual basis, within general purpose financial reporting. Entities should be transparent about the degree to which transition plans are subject to external verification or assurance and should seek and take account of feedback from key stakeholders on an ongoing basis.
CHAPTER 1 – KEY STAGES TO PREPARING A TRANSITION PLAN

Preparing transition plans enables management teams and Boards of Directors to create and adapt an entity’s strategy to meet its climate targets. The TPT has split out the strategic thinking into four key stages.

At each stage, this Implementation Guidance outlines process steps for an entity to disclose against the TPT Disclosure Framework. Each process step aligns with the Elements of the TPT Framework. These process steps are not exhaustive, and individual steps may need to be iterated as strategic thinking on the plan evolves.

Across all stages, management should identify key milestones to engage with employees and external stakeholders on the development of the plan. Once the process steps under each of the four key stages have been completed, an entity will be well placed to communicate its transition plan using the TPT’s Disclosure Framework.

Figure 1: The four key stages to preparing a transition plan

01 Baseline current position
- Assessment of climate-related risks and opportunities
- Decarbonisation levers assessment
- Analysing interdependencies
- Emissions footprinting

02 Setting ambition
- Setting objectives and priorities
- Setting GHG reduction targets
- Developing a decarbonisation prioritisation

03 Developing an action plan
- Designing a strategic roadmap
- Designing a change-management programme
- Responding to the changing climate
- Considering material interdependencies
- Financial planning and sensitivity analysis
- Engagement programme

04 Ensuring accountability for delivery
- Monitoring and reporting on outcomes
- Assessing approach to internal and external assurance
- Review and improving monitoring processes
- Define roles and responsibilities
- Building awareness and capacity to deliver the transition
The TPT seeks to build on existing transition plan methodologies, guidance and frameworks. This document draws on the outputs of specific initiatives throughout the process steps, including:

- assessing climate-related risks and opportunities – TCFD, CDP;
- emissions and target setting – GHG Protocol, SBTi;
- abatement and decarbonisation activities – GFANZ, VCMI, ICVCM;
- metrics and Targets – GFANZ, CFRF; and
- governance and change management programmes – GFANZ.

The stages proposed are designed to apply universally across sectors. The TPT recognises that terminology and key process steps will vary by sector. Entities should use their judgement when assessing how to tailor the process steps for their entity and sector, and refer to relevant sector-specific third-party guidance.

When following the key stages, entities should refer to key corporate reporting norms (see Section 2.3) and the Disclosure Framework (see Section 2.4) to understand the level of detail expected in transition plan disclosures.

**STAGE 1: BASELINING CURRENT POSITION**

The first stage of preparing a transition plan is understanding an entity’s current position using the foundations laid by the TCFD: performing a stocktake on the entity’s exposure to climate-related risks and opportunities, its current emissions profile and the levers at its disposal to transition.

The following steps will inform an entity of its current preparedness to contribute to and prepare for a global transition to a low-carbon economy that is resilient to the changing climate. These steps should inform the entity’s disclosures against the 1. Foundations, 2. Implementation Strategy and 4. Metrics and Targets Elements.

**Assessment of climate-related risks and opportunities**

An entity will likely be performing scenario analysis to assess its climate-related risks and opportunities as part of its TCFD reporting process. The output of this assessment can form a starting point for an entity to understand its ability to decarbonise its operations and supply chain, and to shore up strategic resilience as it responds to the risks of the changing climate.

Where it has not already done so in its existing TCFD reporting process, an entity should translate climate risks and opportunities (physical and transition) into principal business risks and opportunities (e.g., operational, financial and reputational). This assessment will help an entity define key priorities for its transition plan and understand the feasibility of its overarching climate ambition.

Relevant guidance:

- TCFD Implementation Guidance (Table A1.1 and A1.2) – further information on potential climate-related risks and opportunities.
- TCFD Knowledge Hub – guidance on scenario analysis.

This may inform disclosures against Sub-Elements 1.1 Objectives and priorities and 1.2 Business model implications.
Decarbonisation levers assessment

An entity may undertake a strategic levers assessment in which it seeks to understand what actions, resources and projects it has available to enable entity-level decarbonisation and influence economy-wide decarbonisation. This assessment will inform which actions are most feasible and impactful to take in the short, medium and long-term. It will further help an entity understand the speed at which it can feasibly decarbonise and inform long-term interim target setting. As part of this assessment, an entity may consider:

For real economy entities: Conducting an economic abatement capacity assessment, in which it analyses the proportion of its emissions that are economic to abate using current technologies, or projected to be economic to abate in the near future. For example, it may already be economic to switch to a renewable power purchasing agreement or invest in operational efficiencies that reduce emissions. This assessment should cover the potential for reducing Scope 3 emissions, e.g., via engagement with entities along the value chain.

Relevant guidance:
- Abatement Capacity Assessment Guidance developed by CPP Investments.

For financial institutions: assessing the entity’s potential for supporting economy-wide decarbonisation via four financing strategies outlined by GFANZ:

- **Climate solutions**: financing or enabling the development and scaling of climate solutions to replace high-emitting technologies or services;
- **Aligned**: financing or enabling entities already aligned to a 1.5°C pathway;
- **Aligning**: financing or enabling the transition of real-economy firms, according to robust net-zero transition plans; and
- **Managed phaseout**: financing or enabling the accelerated managed phaseout of high-emitting assets.

Relevant Guidance: Further information on the four GFANZ approaches can be found in their Recommendations and Guidance for Financial Institutions Net-Zero Transition Plans and Expectations for Real-economy Transition Plans.

Analysing interdependencies

In designing its transition plan, an entity may consider material interdependencies between climate action and the natural environment and stakeholders such as the workforce, supply-chains, communities or customers. As part of this, the entity may consider:

- conducting a nature impact materiality assessment consistent with the Prototype of the Task Force on Nature-related Financial Disclosures’ (TNFD) LEAP Methodology;
- assessing the risks to and opportunities for, the entity’s workforce, suppliers, impacted communities, and customers that may arise from its interim and long-term targets; and
- defining social impacts as relevant to business model and operations.

Relevant guidance: There are several external resources that entities may find helpful in analysing interdependencies. These include:

- Taskforce on Nature-related Financial Disclosures Framework beta v0.2;
- Climate Action 100+ Net Zero Company Benchmark (Indicator 9 – Just Transition);
- Grantham Research Institute (2022) Making Transition Plans Just;

This may inform disclosures against Sub-Elements 1.1 Objectives and priorities, 1.2 Business model implications and 2.1 Business planning and operations.
The TPT recognises that entities may currently face challenges in reporting accurate and reliable Scope 3 emissions data

Emissions footprinting

**Scopes 1 and 2:** An entity will likely already be reporting under the UK’s Streamlined Energy and Carbon Reporting (SECR) requirements, which requires certain UK entities to disclose Scope 1 and 2 emissions, and an emissions intensity ratio, across multiple reporting periods. If not, the entity should calculate a baseline of Scope 1 and 2 emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard.

**Scope 3:** An entity should apply the steps and reporting boundaries of the GHG Protocol’s Corporate Value Chain (Scope 3) Accounting and Reporting Standard to measure and report on Scope 3 emissions.

The TPT recognises that entities may currently face challenges in reporting accurate and reliable Scope 3 emissions data. Where an entity is unable to calculate its Scope 3 emissions for some or all of the categories outlined in the GHG Protocol’s guidance, it should still identify the relevant upstream and downstream Scope 3 emission categories relevant to it. To identify relevant Scope 3 categories, an entity may refer to the GHG Protocol’s criteria for identifying relevant Scope 3 activities (see Infobox 2), as well as the CDP Technical Note: Relevance of Scope 3 Categories by Sector.

Once the relevant Scope 3 categories have been identified, an entity should review what steps are needed to overcome barriers to setting targets and reporting against those categories and include these steps in its strategic roadmap (Stage 3: Developing an action plan).

This may inform disclosures against Sub-Element 1.1 Objectives and priorities and 4.3 GHG emissions metrics and targets.

INFOBOX 2: GHG Protocol’s criteria for identifying relevant Scope 3 activities

The GHG Protocol provides the following criteria to help an entity identify which Scope 3 activities are relevant:

- **Size:** they contribute significantly to the company’s total anticipated Scope 3 emissions;
- **Influence:** there are potential emissions reductions that could be undertaken or influenced by the company;
- **Risk:** they contribute to the company’s risk exposure (e.g., climate change related risks such as financial, regulatory, supply chain, product and customer, litigation, and reputational risks);
- **Stakeholders:** they are deemed critical by key stakeholders (e.g., customers, suppliers, investors, or civil society);
- **Outsourcing:** they are outsourced activities previously performed in-house or activities outsourced by the reporting company that are typically performed in-house by other companies in the reporting company’s sector;
- **Sector Guidance:** they have been identified as significant by sector-specific guidance; and
- **Other:** they meet any additional criteria for determining relevance developed by the company or industry sector.

*Source: GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, pg. 61*
STAGE 2: SETTING AMBITION

Management may consider the steps below to examine their level of ambition to contribute to and prepare for global transition to a low-carbon economy that is resilient to the changing climate.

These steps are not necessarily sequential and may need to be iterated as an entity’s strategic thinking is refined. These steps should enable an entity to disclose in line with the Foundations and Metrics and Targets Elements.

Setting objectives and priorities

An entity should translate its strategic ambition into clear objectives and priorities, which are supplemented by timebound targets and milestones. Setting activity-level objectives and milestones to manage transition risks and accelerate transition opportunities can help to ensure that a transition plan has a clear structure and demonstrate a focus on key action areas.

Examples of objectives and priorities could include: increasing the energy derived from renewable sources, reducing GHG emissions across Scopes 1, 2 and 3, or phasing out high-emitting activities. Such objectives should be supplemented by long-term and interim targets and milestones that allow an entity to monitor delivery. For example, an entity could set a target of sourcing all electricity supply from new renewable power generation capacity by 2025. The entity may also consider targets related to strategic interdependencies, such as targets for reskilling employees from high-emitting business units to transition opportunities.

Objective setting can be revisited once the delivery plan is more evolved, but the TPT recommends seeking feedback on the proposed objectives from key stakeholders early in the process to agree the direction of the transition plan.

This may inform disclosures against all Sub-Elements under 1. Foundations and 4. Metrics and Targets

Setting GHG reduction targets

When setting GHG reduction targets, an entity should consider the relevant scopes and categories of emissions and measurement basis (see emissions baselining in Stage 1). An entity may consider setting specific targets for different scopes of emissions. The TPT recommends that all long-term GHG reduction targets should have an interim target, with interim targets defined as the next 5-10 years. In line with the TPT’s definition of a transition plan, GHG reduction targets should be informed by both the latest international agreement on climate change and relevant commitments made by jurisdictions in which the entity operates. In setting net zero targets, an entity may refer to the guidance provided by the Science Based Targets initiative (SBTi) and may choose to have its targets independently verified by the SBTi.

Relevant guidance:
- SBTi Corporate Net-Zero Standard;
- SBTi Corporate Manual v2.0;
- SBTi How-to Guide.

Note: It is understood that some entities may not set targets against all scopes and categories of emissions immediately. An entity may prioritise the most relevant emission scopes and categories. In such cases, the entity should be transparent about which scopes and categories have been included. Where targets for relevant scopes and categories have been excluded from its objectives and priorities, an entity should also state the reason for omitting them, and the steps it is taking to enable target-setting for relevant scopes and categories (See Emissions footprinting).
Developing a decarbonisation prioritisation

An entity may determine its decarbonisation and risk mitigation prioritisation based on the materiality of its emissions profile across Scopes 1, 2 and 3. This prioritisation will likely also be informed by its strategic levers assessment, as well as its defined objectives, and GHG reduction targets. An entity’s prioritisation will vary significantly depending on factors such as its sector, size and geography and will also consider business model implications. This exercise should lead an entity to focus its most material emissions, which may cover any combination of issues, including decarbonising its financed emissions, creating new low-carbon products, or cutting emissions from its built environment. An entity should prioritise emissions reduction through direct abatement over purchasing carbon credits.

Relevant guidance:

- GHG Protocol: A Corporate Accounting and Reporting Standard
- Entities may further find existing sectoral guidance helpful for setting their own priorities

This may inform disclosures against all Sub-Elements under 1. Foundations and 4. Metrics and Targets.
STAGE 3: DEVELOPING AN ACTION PLAN

In developing a transition plan, an entity can be expected to translate their long-term targets into concrete short-, medium- and long-term actions. The steps outlined below are intended to enable disclosures against the Implementation Strategy and Engagement Strategy Elements of the Disclosure Framework. This includes consideration of activities, capital investment, emissions reductions, and interactions with material interdependencies.

Designing a strategic roadmap

Once an entity has defined its interim and long-term targets and milestones, it should develop a roadmap of actions across the short-, medium- and long-term to reach those goals (informed by the decarbonisation prioritisation step). The roadmap of short-term actions should be granular at an activity level and should involve engagement across corporate functions in collectively assessing how to deploy and implement the plan. Activities to consider as part of preparing this roadmap could include: engaging with suppliers to reduce their GHG emissions, devising phase-out plans for high-emitting activities; piloting new low-carbon technologies or products; performing additional research on key assumptions underlying the transition plan; and identifying monitoring mechanisms to assess the roadmap.

This may inform disclosures against all Sub-Elements under 2. Implementation Strategy and 3. Engagement Strategy.

Designing a change-management programme

To enable effective implementation of a plan, an entity should consider building a change management programme. The change management programme should engage all functions of an entity. This will enable an understanding of relevant resourcing needs to deliver the transition plan and of how all functions feed into the process. A change management program can also facilitate whole-of-organisation agreement on responsibilities for delivery, reveal material skills gaps, and encourage detailed assessment of the capacity of current resources. The program should address associated back-office investment, data requirements, policies and processes, and reporting systems required to operationalise the plan. An entity should then seek to address any gaps identified as part of this process.

This may inform disclosures against Sub-Elements 2.1 Business planning and operations, 2.2 Products and services, 2.3 Policies and conditions, 5.2 Roles, responsibility and accountability and 5.3 Culture.

Responding to the changing climate

In designing a transition plan, an entity should take into account the likely impacts of the changing climate. An entity should therefore consider conducting a sensitivity analysis on their transition plan to understand whether the changing climate may impact the feasibility of meeting their objectives and priorities, including in the medium to long-term. For instance, a power provider may need to assess how the increased likelihoods of droughts may impact its reliance on availability of water to supply hydroelectric power or provide cooling of nuclear sites.

This may inform disclosures against all Sub-Elements under 2. Implementation Strategy.

Considering material interdependencies

An entity should consider designing steps to manage and mitigate any significant risks to its strategic plan, including interdependencies arising from impacts on the natural environment and stakeholders such as the workforce, supply-chains, communities or customers which arise as part of these planned actions.

This may inform disclosures against all Sub-Elements under 2. Implementation Strategy.
Financial planning and sensitivity analysis

An entity should assess how the strategic plan will impact its expected financial position, financial performance and cashflows over time. This includes expected changes to capital expenditure, asset write downs, operational expenditures, demand for products and services and wider financial impacts. In addition to financial planning, an entity should undertake sensitivity analysis to better understand the dependency of its transition plan on specific assumptions underpinning the plan being realised (e.g., scaling new technology, supply chain action, policy change, shifts in demand). This will allow an entity to better assess and monitor the feasibility of its plan and should inform further iterations of its implementation and engagement strategy. For example, this analysis can help an entity understand the key policy changes it requires to achieve its climate ambition, communicate these in its disclosures and develop an appropriate policy engagement strategy. The finance function of an entity should fully participate in these steps in order to ensure an organisational understanding of how the underlying assumptions in the transition plan are connected to general purpose financial reporting.

Relevant guidance:

- GFANZ Financial Institution Net-zero Transition Plans.
- GFANZ Expectations for Real-economy Transition Plans.

This may inform disclosures against Sub-Elements 2.4 Financial Planning and 2.5 Sensitivity Analysis.

Engagement programme

An entity will need to collaborate with a range of external stakeholders to drive systemic change. An entity may want to strategically prioritise its engagement efforts, based on where it can expect to achieve the highest possible impact. When developing an engagement programme, an entity should consider:

Engagement with value chain and portfolio companies – where an entity has close relationships with third parties, such as with customers, suppliers or portfolio companies, it may seek to devise tailored engagement programmes to encourage outcomes within its Scope 3 emissions and drive real economy decarbonisation. These programs may seek to promote collaborative approaches between entities over several years. An entity should tailor approaches for different parties based on their emissions profile, size and bargaining power, and prioritise engagement accordingly.

Engagement with industry peers – where an entity finds that there are systemic barriers to achieving its transition objectives, a cross-sector collaborative approach may need to be taken. This could include creating or participating in industry alliances, trade organisations or directly engaging with industry peers.

Engagement with government, public sector and civil society – similarly, an entity may review its engagement activities with government, public sector and civil society to ensure that these are aligned with and support its transition objectives. As part of its transition plan, it may seek to encourage governments or regulators to create new policies and regulations that facilitate net-zero aligned investment and transition of its sector.

Relevant guidance:

- Global Standard on Responsible Corporate Climate Lobbying.

This may inform disclosures against Sub-Elements 3.1 Engagement with value chain, 3.2 Engagement with industry, and 3.3 Engagement with government, public sector and civil society.
Stage 4: Ensuring accountability for delivery

Transition plans should be underpinned by clear accountability mechanisms to enable delivery. Once an entity has developed its strategic response, entity management should focus on the mechanisms in place to manage the plan and monitor its delivery. This stage focuses on the Metrics and Targets and Governance Elements of the Framework.

Monitoring and reporting on outcomes

An entity should define a suite of metrics, targets and key performance indicators (KPIs) that can be used to assess whether it is making progress towards the strategic objectives and priorities identified under Stage 2 – Setting ambition, and against the action plan devised under Stage 3 – Developing an action plan. What metrics and targets are most appropriate for monitoring and reporting on outcomes will depend on a range of factors, including an entity’s business model, size, strategic objectives etc. The TPT recommends that an entity considers defining targets for different types of metrics, including business and operational metrics, financial metrics, GHG emissions metrics and carbon credits.

Firstly, an entity may seek to incorporate and build upon the TCFD’s Guidance on Climate-related Metrics, Targets and Transition Plans, particularly its guidance on cross-industry climate-related disclosure recommendations (pp. 10-28 ; 54-65). The objectives identified earlier in the process should be converted into formally-defined metrics with robust methodologies (Stage 2 – Objective setting).

More specifically, an entity may want to assess which of the metrics and targets that it may already report on under TCFD-aligned disclosures could be meaningful for measuring progress against its transition plan. Examples include:

- Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) interim emissions reduction targets.
- Amount and extent of assets or business activities vulnerable to transition and physical risks (e.g., percentage of revenue from coal mining, number and value of mortgage loans in 100-year flood zones etc.).
- Amount of capital expenditure, financing or investment deployed toward climate-related risks and opportunities (e.g., percentage of annual revenue invested in R&D of low-carbon products and services, investment in climate adaptation).
- Proportion of executive management remuneration that is linked to climate considerations.

Relevant guidance:

- Climate Related Risk Forum Guide 2021: Climate Data and Metrics;
- GFANZ Financial Institution Net-zero Transition Plans.
- GFANZ Expectations for Real-economy Transition Plans.

This may inform disclosures against all Sub-Elements of 4. Metrics and Targets

The entity should assign responsibility for delivery of the transition plan to functions across the entity.
**Assessing approach to internal and external assurance**

An entity should consider the control environment of its transition plan disclosure inputs. In doing this, an entity may consider engaging their internal audit function, documenting and recording metric methodologies, performing quality control on data inputs (including those from external sources), and assessing adequacy of procedures for internal controls.

In the UK, there are currently no external assurance requirements, or plans to mandate external assurance, on sustainability information. However, increasingly entities are choosing to obtain external assurance on sustainability information, including GHG emissions, in response to stakeholder demands. More information on audit and assurance can be found in Chapter 2.3 – Audit, assurance and verification considerations.

This may inform disclosures against all Sub-Elements of 4. Metrics and Targets.

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**Reviewing and improving monitoring processes**

Transition plan disclosures and underlying plans will deepen and mature over time, as an entity delivers on and iterates its transition plan. As part of the process, an entity may consider the following steps in relation to metrics and targets:

**Revising targets against delivery** – as an entity implements its transition plans, progress against targets might be ahead of or behind the planned trajectory, because of external or internal factors, which could prompt the entity to review its plan and targets. An entity should consider defining internally how regularly to review its targets and key triggers for inflexion points. This could include accelerating planned activities, increasing ambition or escalating engagement activities.

**Identifying and mitigating data gaps** – following the assessment of possible metrics to monitor outcomes and delivery, an entity may further analyse what the main current data challenges are which hinder reliable reporting. Data challenges an entity may need to overcome could include inconsistent definitions, limited availability of required inputs, variable quality of required inputs, and non-standardised analytical methodologies for deriving metrics. Data uncertainties are expected in emissions inventories, and the GHG Protocol explains how to document these in the chapter ‘Managing Inventory Quality’ of the Corporate Accounting Standard of the GHG Protocol.

Once the gaps are identified, a programme of work should be developed to close these gaps, including engaging with third parties such as suppliers and value chain members, and to disclose relevant information under the Engagement Strategy Element.

**Relevant guidance:**

- GHG Protocol’s Corporate Accounting and Reporting Standard (Chapter ‘Managing Inventory Quality’).

This may inform disclosures against all Sub-Elements of 4. Metrics and Targets.
Define roles and responsibilities

An entity should define roles and responsibilities relating to the transition plan across the entity:

**Executive oversight** — to ensure there is sufficient level of oversight of the transition plan and clear accountability structures for its delivery, an entity should assign responsibility across the executive suite to senior management, including:

- ultimate sign-off of the strategy and transition plan;
- agreeing the strategy, plans, risk management and budgets;
- setting performance objectives;
- change management implementation and performance;
- capital investment, acquisitions and divestitures;
- engagement with employees and external stakeholders;
- monitoring, overseeing and reporting on progress;
- internal assurance; and
- investment in R&D.

**Operational delivery and reporting** — in accordance with the change management plan, an entity should assign responsibility for delivery of the transition plan to functions across the entity. This could involve engaging with cross-functional teams discussing climate, beyond the sustainability teams, to ensure it covers the full scope of business activities including reporting and disclosure.

**Building awareness and capacity to deliver the transition**

The transition plan will only be successful if an entity’s employees, senior executives and Board of Directors are trained and educated on their role in delivering the plan, and ensuring it is integrated into the culture of the entity and value proposition. To ensure this is the case, an entity may consider:

**Board training** — ensure the board members have the right competencies, knowledge and expertise to challenge whether the plan prepared by executives is robust and credible.

**Employee training** — upskill and educate employees within an entity on the transition plan to ensure that they are equipped with the skills and knowledge to deliver it. This involves:

- Identifying future knowledge and skills needs, and to building a skills taxonomy to identify gaps between current and required skills and knowledge.
- Taking action to fill any identified skills and knowledge gap. Broader knowledge and awareness could be built through internal development programmes, including company-wide training on climate science and what that means for the company (e.g., how the company needs to change and opportunities presented by doing so).
- Investing in more targeted training to upskill, reskill and educate employees where new skills and knowledge requirements have been identified for key staff roles involved in executing the transition plan.
- Aligning new skills and knowledge needs with recruitment efforts.
- Developing programmes to encourage staff behaviours which drive climate goals, and consider how these are linked to remuneration.

**Culture impact** — consider how an entity’s culture and employer brand supports the successful delivery of the transition plan; this can include the following actions:

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This may inform disclosures against all Sub-Elements of 5. Governance

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The entity should assign responsibility across the executive suite to senior management
• Bringing together key employees to map out how the transition plan could enable an entity’s business and workforce strategy, and to define the people initiatives required to deliver on this.

• Promoting awareness of climate issues among leaders and managers, using training to equip and empower them to become climate role models.

• Building climate into an entity’s employer brand and values, to send a message that climate is a priority and pave the way for behaviour and culture change.

• Using and establishing regular and consistent listening and communications exercises to build engagement and knowledge. This should connect the workforce to the climate strategy and enhance understanding of how individual roles can contribute to successful delivery of the transition plan.

Remuneration and incentives – align an entity’s remuneration programme with the transition plan objectives, in order to align the interests of executives and other relevant staff with successful delivery of the plan. Performance metrics should be strategically aligned, material to the individual participant, measurable, clear and transparent. Targets should be appropriately stretching for the relevant individual.

Relevant guidance:

• WTW’s Executive Compensation Guidance for the Climate Transition (pp. 15–17).

Accountability mechanisms – seek feedback from key external stakeholders on the transition plan throughout the transition plan reporting cycle, in order to ensure that the ambition, actions and accountability mechanisms align with their expectations. Key stakeholders to consider discussing the development of the plan with are shareholders14, clients or consumers, suppliers, assurance providers15, employees or communities (for more examples, see Chapter 3 – How Transition Plans are used).

Once the process steps under each of the four key stages are complete an entity will be well placed to communicate its transition plan using the TPT’s Disclosure Framework.

14) For example, this could be via putting the transition plan to an advisory, non-binding shareholder vote at the Annual General Meeting. For example, see: Say on Climate
15) As part of the reporting process it may be worthwhile to seek feedback from assurance providers to test the incorporation of the assumptions of the plan into general purpose financial reporting.
The TPT Disclosure Framework is based on three guiding principles: Ambition, Action and Accountability. These are framed to ensure that an entity can effectively communicate the strategic and rounded approach of its transition plan. The TPT’s Framework is structured around five Elements, which mirror the key components of a transition plan recommended by GFANZ. Building on this structure, the TPT recommends disclosures in relation to 19 Sub-Elements which are summarised in Figure 2.

This section covers the considerations for an entity when disclosing their transition plan, using the TPT’s Framework. By following this Implementation Guidance, an entity will be able understand to disclose against the TPT’s Framework and align with general purpose financial reporting, when and where to disclose a transition plan and material updates, and how the TPT Framework fits in with existing and emerging guidance.

Figure 2: The TPT Disclosure Framework
2.1 How transition plans fit into existing and emerging disclosures

Under current UK reporting rules, many large companies, asset owners and asset managers are already required by UK regulators and the government to make TCFD-aligned disclosures. In addition, the FCA has set out initial expectations on disclosure of transition plans by asset managers, FCA-regulated asset owners and listed companies in accordance with the TCFD’s guidance on transition plans.

The TCFD has created an international framework for entities to disclose how they consider and respond to climate-related risks and opportunities. The ISSB is currently building from the TCFD’s recommendations to build a global baseline corporate reporting standard for all significant sustainability-related risks and opportunities. Going forward, the UK government expects that ISSB standards will form a core component of the Sustainability Disclosure Requirements (SDR), and the backbone of its corporate reporting element. As a result, it is anticipated that existing TCFD-aligned disclosure rules in the UK will be replaced by a requirement for certain companies to disclose in accordance with ISSB standards as adopted and endorsed for use in the UK.\textsuperscript{16}

The TPT’s recommendations directly build on the existing and emerging guidance on climate-related risks disclosures, as provided by the TCFD and the ISSB, both of which include recommendations to disclose some information about an entity’s transition plan. Entities should therefore not see the TPT disclosure recommendations as separable from or parallel to TCFD or ISSB disclosures. Instead, the Disclosure Framework and Implementation Guidance should be considered as a jurisdictional initiative to provide an additional layer of specificity for transition plan disclosures.

To support preparers through the process of integrating content from their transition plan into their TCFD recommended disclosures, the TPT Technical Annex provides a mapping of the Framework Sub-Elements against a) the TCFD transition plan disclosure recommendations (including the implementation annex), and b) specific provisions of the ISSB’s Exposure Draft of IFRS S2 Climate-related Disclosures.

\textsuperscript{16} It is also anticipated that this will be complemented by a requirement for entities and their investors to report eligibility and alignment with a UK taxonomy – an objective and science-based set of descriptors of sustainable economic activities. This will bring UK preparers in line with similar requirements in the EU and other jurisdictions developing regulated taxonomy reporting globally.
2.2 Location of transition plan reporting

Disclosure against the TPT’s Framework should integrate with, and build from, broader climate-related disclosures in a reporting entity’s general purpose financial reports (such as a UK listed company’s annual report).

We also recommend that, as well as including information in general purpose financial reporting, entities publish their transition plan in a single standalone document that sits alongside the Annual Financial Report. We recognise that this carries an additional reporting burden for entities. However, presenting the transition plan in a standalone document, according to the structure outlined in the TPT’s Framework, will enable users to analyse, compare and aggregate plans across entities, and hold entities to account more easily (see Chapter 3). Furthermore, we recommend that entities update the standalone transition plan periodically, either when there are significant changes to the plan or, at the latest, every three years.

In the interim years (Years 1 and 2 in Figure 4 below), progress against the plan and all other content in the plan that is deemed to be material to investors should be reported on an annual basis as part of annual TCFD- or ISSB-aligned disclosures in general purpose financial reporting (i.e. the Annual Financial Report).

We recommend that entities update the standalone transition plan periodically.

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**Figure 4: The Transition Plan reporting cycle**
The TPT would expect material information related to the transition plan to feature within TCFD-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 form part of overall governance disclosure;
- Key details on an entity's transition strategy should form an integral component of its overall climate strategy disclosure;
- Material financial risks relating to the transition plan, and wider financial risks arising from transition and adaptation should be reported within an overall risk management disclosure; and
- Transition-related targets and performance metrics should form part of overall climate-related metrics and targets.

If an entity prepares a long-form TCFD or sustainability report outside of the general purpose financial reporting, the transition plan must be clearly separable (e.g., as an appendix or separate document).

In the future, it is anticipated that entities will apply the same reporting norms as those set out in ISSB standards, once finalised and available for use in the UK.

The TPT would expect material transition plan-related information to feature within TCFD-aligned disclosures.

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<th>TCFD pillars</th>
<th>TPT Framework Elements and Sub-Elements</th>
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<td>- Industry</td>
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<td>- Government, public sector and civil society organisations</td>
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2.3 Audit, assurance and verification considerations

The recommendations to include material information related to the transition plan related information in general purpose financial reporting does not change the scope of the statutory audit of the annual financial report. The scope does not go beyond the auditor’s responsibility to identify whether there are any material inconsistencies between other information and the financial statements, and knowledge obtained during the audit (as per International Standards of Auditing (ISA) 720 The auditor’s responsibilities relating to other information).

External assurance standards and ethics codes are being developed by the International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Boards for Accountants (IESBA) to reflect the evolving sustainability reporting landscape. The International Organisation of Securities Commissions (IOSCO) has welcomed this work, observing that high-quality, profession-agnostic standards will “support the consistency, comparability and reliability of sustainability-related information provided to the market, enhancing trust in the quality of that information”.

In the UK, there are currently no external assurance requirements, or plans to mandate external assurance, on sustainability information. However, increasingly entities are choosing to obtain external assurance on sustainability information, including GHG emissions, in response to stakeholder demands. The most commonly used assurance standard for these engagements is ISAE 3000 (Revised) for Independent Assurance Reporting Engagements Other than Audits or Reviews of Historical Financial Information. Another standard that is relevant, in the context of GHG emissions, is ISAE 3410, for Independent Assurance Reporting engagements on Greenhouse Gas Statements.

Similarly, the process of formal verification is an emerging practice. If an entity obtains assurance or verification over sustainability information, transition plan disclosure or wider sustainability reporting, the TPT would expect to see the following information disclosed about the assurance or verification engagement:

- the level of assurance or verification obtained;
- the scope of the engagement;
- the professional standard(s) against which the engagement was performed;
- who the assurance provider is; and
- the outcome of the engagement, for example, whether the assurance provider’s conclusion is unqualified or modified.
2.4 Alignment with wider corporate reporting norms

To maximise alignment, an entity should apply the same corporate reporting norms to its transition plan disclosures as it would to its wider general purpose corporate reporting disclosures. Table 1 below illustrates guidance and provisions from the TCFD and ISSB SI Exposure Draft on five key corporate reporting norms, and proposed recommendations for entities to adopt in their transition plan disclosures. This list is non-exhaustive.

Table 1: Five key corporate reporting norms from TCFD and ISSB SI and implications for transition plan disclosures

<table>
<thead>
<tr>
<th>Reporting boundaries</th>
<th>Links between climate-related disclosures and financial statements</th>
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<tbody>
<tr>
<td>TCFD</td>
<td>ISSB SI Exposure Draft</td>
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<tr>
<td>No explicit guidance</td>
<td>&quot;An entity’s sustainability-related financial disclosures shall be for the same reporting entity as the related general purpose financial statements. For example, if the reporting entity is a group, the consolidated financial statements will be for a parent and its subsidiaries; consequently, that entity's sustainability-related financial disclosures shall enable users of general purpose financial reporting to assess the enterprise value of the parent and its subsidiaries&quot; (ISSB IFRS SI Par. 37).</td>
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<tr>
<td>&quot;In order to make more informed financial decisions, investors, lenders, and insurance underwriters need to understand how climate-related issues affect and are likely to affect an organisation’s future financial performance and position as reflected in its income statement, cash flow statement, and balance sheet.&quot; (TCFD Guidance on Implementing the TCFD Recommendations, p.9; see also TCFD Guidance on Metrics, Targets and Transition Plans, pp. 45-49).</td>
<td>&quot;An entity shall provide information that enables users to assess the connections between various sustainability-related risks and opportunities, and to assess how information about these risks and opportunities is linked to information in the general purpose financial statements&quot; (ISSB IFRS SI Par. 42).</td>
</tr>
<tr>
<td>Topic</td>
<td>TCFD</td>
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<tr>
<td>Materiality for an entity's transition plan disclosure</td>
<td>“Organisations should determine materiality for climate-related issues consistent with how they determine the materiality of other information included in their annual financial filings.” (TCFD Guidance on Implementing the TCFD Recommendations, p. 8)</td>
</tr>
<tr>
<td>Incorporation of interdependent issues such as social impacts, nature and adaptation</td>
<td>No explicit guidance</td>
</tr>
<tr>
<td>Treatment of uncertainty, estimates and assumptions</td>
<td>“Organisations should also consider describing the assumptions, uncertainties, and key methodologies associated with their transition plans” (TCFD Guidance on Metrics, Targets and Transition Plans, pg.43)</td>
</tr>
</tbody>
</table>

**Notes:**
- TCFD: Task Force on Climate-related Financial Disclosures
- ISSB: International Sustainability Standards Board
- IFRS: International Financial Reporting Standards
Disclosure principles

In addition, the TCFD has set out Principles of Effective Disclosures, which the TPT recommends applying when preparing transition plan disclosures.

1) Represent relevant information
2) Be specific and complete
3) Be clear, balanced, and understandable
4) Be consistent over time
5) Be comparable among companies within a sector industry or portfolio
6) Be reliable, verifiable, and objective
7) Be provided on a timely basis

2.5 Disclosure guidance: How to interpret the TPT Disclosure Framework

The TPT’s Framework provides a structure that enables an entity to communicate how its climate targets and transition plan align with its strategy. The TPT’s Framework should support external users and preparers alike.

This section steps through the TPT’s Framework and provides additional interpretative guidance on what an entity should include in disclosures in order to meet the disclosure recommendations of each Sub-Element. Building on the baseline of the TCFD, the guidance further elaborates where each Sub-Element of the Framework recommends further granularity beyond the TCFD recommended disclosures and guidance on transition plans. A detailed mapping assessment against the relevant TCFD excerpts and proposed ISSB’s Proposed IFRS S2 Exposure Draft can be found in the Technical Annex [link] to the Implementation Guidance.

Note for preparers: The TPT Disclosure Framework is sector-neutral. When disclosing, an entity should use its judgement to apply the sector-neutral Sub-Elements as relevant to their sector and business model. It should then disclose in accordance with the Framework, having regard to the corporate reporting norms set out in Chapter 2.4.
1. Foundations

1.1 Objectives and priorities

Describe the strategic ambition of the entity’s transition plan by disclosing its objectives, priorities, interim targets and milestones for responding and contributing to an early and orderly whole-of-economy transition. The entity should have regard to reducing its own GHG emissions, responding to its climate-related risks and opportunities, and the actions it may take within its business model to embed and accelerate the transition.

Describe the strategic ambition of the entity’s transition plan by disclosing its objectives and priorities for responding and contributing to an early and orderly whole-of-economy transition, and interim targets and associated milestones. This should include:

- The entity’s objectives and priorities for reducing its GHG emissions. This should include interim and long-term targets to reduce GHG emissions over time across emissions Scopes 1, 2, and 3. Interim GHG reduction targets are defined as 5–10 years from when the target is set. If the entity excludes any relevant scopes or categories of emissions from its GHG reduction targets, it should state the reason for omitting these scopes or categories and outline any steps it is taking to enable target-setting for relevant scopes or categories.
- The entity’s objectives and priorities for responding to the physical and transition risks as well as the opportunities associated with the transition to a net zero economy and the changing climate.
- The objectives and priorities the entity has set, consistent with its constitutional documents and the duties of its directors and senior managers, to use other levers it has available to help embed and accelerate the transition. These may include objectives and priorities related to investing in low-carbon technologies, engagement activities, lending, or investment objectives.

In describing the entity’s objectives and priorities, disclose any interim targets and milestones used to measure progress.

The entity should also describe any potential trade-offs between these objectives and priorities that the entity has identified.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Specifying that an entity should prepare GHG emissions reduction targets across all three scopes, and set interim targets, which are defined as 5–10 years from when the target is set.
- Specifying where an entity is excluding Scope 3 emission categories, state the reason for omitting them and outline any steps it is taking to enable target-setting for relevant Scope 3 emission categories.
- Widening the understanding of a transition plan beyond the focus on GHG reduction targets, by recommending that an entity also discloses a broader set of objectives and priorities for responding and contributing to an early and orderly whole-of-economy transition. This includes objectives and priorities for responding to climate-related risks and other levers it has available to help embed and accelerate the transition.
Under this Sub-Element, the entity should describe the objectives and priorities and interim goals that underpin its entire transition plan. The remainder of the plan’s content should then be aligned towards achieving the objectives and priorities outlined under this Sub-Element. That is, the objectives and priorities should be translated into a detailed, action-oriented 2. Implementation Strategy and 3. Engagement Strategy. The suite of 4. Metrics and Targets that the entity uses to hold itself to account should be calibrated to allow meaningful measurement of progress against its strategic ambition and associated objectives and priorities. Finally, the 5. Governance and resourcing arrangements it puts in place should be designed to facilitate delivery against stated objectives and priorities.

The entity’s disclosures should include clear references to the entity’s objectives and priorities across the three inter-related channels set out in the Disclosure Framework. Building from its baseline GHG emissions profile, calculated in accordance with the GHG Protocol, the entity’s disclosure should outline its ambition with regard to:

- **Decarbonisation.** Here, the entity should provide its interim and long-term targets to reduce GHG emissions, across its Scope 1, 2 and 3 emissions. For example, an entity may disclose a target to reduce Scope 1 and 2 emissions by 85% by 2030 and reduce its Scope 3 emissions by 50% by 2030, and reach net zero by 2050. Where an entity excludes particular Scope 3 emissions categories from its target (e.g., due to challenges of data availability or because these emissions are not material), it should state the reason for omitting them and, where relevant, outline any actions it is taking to enable target setting for relevant Scope 3 categories.

- **Responding to climate-related risks and opportunities.** Having assessed climate-related risks and opportunities with reference to an assumed net zero pathway in its wider TCFD reporting, the entity should describe any objectives and priorities it has set to respond to climate-related risks and opportunities and contribute to an economy-wide transition. For example, an entity may define objectives and priorities for supplier engagement, to accelerate the decarbonisation of entities in its value chain and reduce exposure to reputational risks or possible carbon price shocks.

- **Contributing to economy-wide transition.** Based on the outcome of a detailed assessment of the levers at its disposal – e.g., through its business model, its products and services, its value chain relationships, and its wider sphere of influence – the entity should describe its committed actions to help embed and accelerate a whole-of-economy transition. These may, for instance, include offering financing for climate solutions in hard-to-abate sectors, setting net zero aligned lending or investment objectives, or capital expenditure in innovative climate solutions through research and development.

Depending on the size, sector and location of the entity, the emphasis of this ambition may reasonably focus on only a subset of these channels. For instance, a technology company providing solutions to companies in hard-to-abate sectors that help them manage their energy usage may have relatively low Scope 1 and 2 GHG emissions, but significant opportunities to help embed and accelerate a whole-of-economy transition by adapting and expanding these solutions. In all cases, however, users of the entity’s transition plan will want to understand how the entity has considered its profile and the levers available under all three channels.

Finally, the entity should also consider how the actions it takes under each channel interact. Where potential trade-offs between the objectives and priorities relating to each channel are identified, these should be described.
1.2 Business model implications

Summarise how the entity will embed the strategic ambition of its transition plan in its business model, highlighting key implications for products and services, resourcing and operational and capital expenditure, as well as material interdependencies for the natural environment, the entity’s workforce, value chain, impacted communities and consumers.

Disclosure recommendation

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Articulation of the business model implications of the plan for products and services, resource allocation and operational and capital expenditure.
- Specification of the material interdependencies of the changing strategy to a low-carbon transition, including significant risks to, and opportunities for, the natural environment and stakeholders such as the entity’s workforce, suppliers, impacted communities and customers arising from the objectives and priorities outlined under 1.1 Objectives and priorities.

Under this Sub-Element, the entity should clearly articulate how it will embed its transition plan into its business model and strategy. This should include implications for products and services, high level implications for resource allocation and operational and capital expenditure, and detail on the timeframe over which key actions will be taken. In essence, this Sub-Element is intended to provide a summary of key priority changes the entity plans to make, with these then elaborated under 2. Implementation Strategy, 3. Engagement Strategy and 5. Governance.

For example, an entity may consider disclosing:

- A high-level summary of expected shifts in its portfolio of products and services (e.g., moving from oil and gas production to renewable energy generation and electricity retail).
- An overview of expected changes to resource allocation (e.g., changes resulting from changes in demand or supply, or new business lines; arising from business development through capital expenditures or additional expenditure on operations or research and development; acquisitions and divestments). This could include plans and critical assumptions for legacy assets, including strategies to manage carbon-energy and water-intensive operations, and to decommission carbon-energy and water-intensive assets.
- Over what time periods these implications are expected to occur and how these are linked to the entity’s strategic planning horizon.

In addition, the entity should disclose a summary assessment of material interdependencies including the significant risks to, and opportunities for, the natural environment and stakeholders such as the entity’s workforce, impacted communities, suppliers, clients and customers.

For example, where an entity’s transition plan objectives and priorities involve a significant change in its suite of products and services, it may need to invest in new production facilities. This may in turn have adverse implications for the natural environment or communities upstream in its value chain, which may lead to reputational or litigation risks with potential financial implications for the entity.
2. Implementation Strategy

2.1 Business planning and operations

Disclose the roadmap of short-, medium, and long-term actions the entity will take to deliver on the strategic ambition in its transition plan and achieve its stated objectives and priorities, including details of key planned changes to its business strategy and resource allocation, plans for GHG or carbon energy-intensive assets, and its approach to managing material interdependencies.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Specifying that the relevant short-term time horizon is defined as within the next three years. Asking an entity to provide an explanation if the short-term time horizon is defined as exceeding three years.
- Requesting information on any actions planned to mitigate any significant risks to, and leverage opportunities for, the natural environment, the entity’s workforce, suppliers, impacted communities and consumers.
- Specifying that an entity should disclose quantitative or qualitative information about the actions’ expected contribution to achieving its objectives and priorities.

TCFD additionality

Disclose the roadmap of short, medium- and long-term actions (supported by a change management plan) the entity is taking or plans to take to implement its transition strategy and achieve the priorities and objectives outlined under 1. Foundations. This includes information on the changes the entity is making in its business strategy and resource allocation.

This may further include:

- plans and timelines to manage or phase-out GHG or carbon-energy intensive assets; and
- information about any actions planned to mitigate any significant risks to, and leverage opportunities for, the natural environment, the entity’s workforce, suppliers, impacted communities and consumers.

Where possible, quantify the contribution of each business and operational action towards achieving the objectives and priorities outlined under 1. Foundations. Where quantification is not possible, explain why this is the case and provide a qualitative description instead.

The entity should disclose what they consider to be the relevant short-, medium- and long-term time. The TPT recommends that the short-term is defined as within the next 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 should provide an explanation for why this is the case.

Key aspects of the business planning and operational actions may include:

- plans and timelines to phase-out GHG or carbon-energy-intensive assets;
- actions planned to develop and scale up climate solutions; and
- actions planned to manage the significant risks to, and leverage opportunities for, the natural environment and stakeholders such as the workforce, supply chain, communities and customers that arise from the plan.

Under this Sub-Element, the entity should disclose the roadmap of steps being taken over the short-, medium- and long-term to deliver on the strategic ambition in its transition plan and achieve its stated objectives and priorities disclosed under 1.1 Objectives and priorities and how these changes will deliver the ambition highlighted under 1.2 Business model implications.

Interpretative guidance

This Sub-Element further requires the entity to, where possible, quantify the contribution of these actions towards achieving the objectives and priorities outlined under 1. Foundations. For example, the entity may include an estimate of the expected emissions reduction expected from each activity. Where quantification is not possible, the entity should provide an explanation why this is the case and provide a qualitative description instead.
Finally, this Sub-Element asks the entity to be transparent about how it defines the relevant short-, medium- and long-term time horizons. To encourage early action, 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 (see Chapter 2.2 - Location of transition plan reporting).

In addition, the entity may consider disclosing further information to help users understand the credibility of this Sub-Element, including:

- A list of the entity’s physical assets that are most material to its business model, which are exposed to both transition and physical climate risks and opportunities, including further details that can help users assess whether the entity’s plans to manage or phase-out GHG- or carbon-energy-intensive assets are comprehensive and credible. Such details may include exact geolocation, ownership share, production type, capacity, technology, age, and the remaining operational lifetime.
- Possible trade-offs that arise from implementing these plans, such as possible increases in short-term emissions that result from actions that are necessary for delivering long-term emissions reduction across the operations (e.g., emissions incurred in purchasing and transporting materials to retrofit a building, emissions incurred by keeping GHG or carbon-energy intensive activities in the portfolio to ensure a managed, earlier phase-out).

Disclosures under this Sub-Element may be complemented by and reflected in disclosures under 2.4 Financial planning and 5. Governance.

2.2 Products and services

Disclose planned changes to the entity’s portfolio of products and services to deliver the strategic ambition in its transition plan, highlighting plans to reduce (increase) the portfolio of high-carbon (low-carbon) products and services that it provides, either directly or indirectly.

Disclose plans to change the entity’s portfolio of products and services to support the objectives and priorities and interim milestones outlined under 1. Foundations. This may include plans to reduce (increase) the portfolio of high-carbon (low-carbon) products and services that it provides, either directly or indirectly.

Where possible, quantify the impact of these planned changes in the portfolio of products and services towards achieving the company’s objectives outlined under 1. Foundations. Where quantification is not possible, explain why this is the case and provide a qualitative description instead.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Specifying that an entity may consider disclosing changes to its portfolio of products and services.
- Specifying that an entity may consider quantifying the impact of the plans with reference to GHG reduction targets and other transition objectives and priorities.
As part of its transition plan, the entity may make changes to the portfolio of products and service it offers (including financial products and services).

Under this Sub-Element, the entity should disclose planned changes to its portfolio of products and services and how it anticipates this will help deliver its strategic ambition.

For example, this may include:

- Plans to increase the portfolio of low-carbon products (e.g., increasing the share of plant-based products sold); and
- Plans to phase-out high-carbon products and services (e.g., phasing out the sale of vehicles with traditional internal combustion engines).

To ensure users are able to understand and evaluate these plans, the entity should disclose any tools or definitions it has used to classify or define products and services as, for example, low-carbon or green (e.g., by reference to an appropriate taxonomy or other certification).

This Sub-Element further requires the entity to, where possible, quantify the contribution of these plans towards achieving the objectives and priorities outlined under 1. Foundations. For example, the entity may provide an estimate of the expected impact that phasing out more GHG-intensive products over the next five years will have on its GHG emissions profile. Where it is not possible to quantify impact, the entity should disclose why it is not able to do so and provide a qualitative description instead.

In addition, the entity may also disclose how it has considered any trade-offs in developing plans to change its portfolio of products and services. For example, an entity may have faced a trade-off between focusing on short-term change to products and services versus focusing on investing in research and development that might increase emissions in the short-term but ultimately lead to the availability of products and services with greater mitigation potential.
2.3 Policies and conditions

Disclose key internal policies and conditions that the entity has developed to align its activities with the strategic ambition of its transition plan, and its stated objectives and priorities, including those that relate to energy and water usage, the management of its impact on the natural environment, lending and investment activity and the profile of companies in its supply chain.

Disclosure recommendation

• energy usage;
• deforestation;
• climate-related requirements for suppliers;
• climate-related requirements or restrictions on lending and investment activities;
• engagement policies; and
• safeguards that are in place to address any risk of significant harm to a wide range of entities, including the natural environment, workforce, supply chain, communities or consumers.

Describe how these policies are supporting the objectives, priorities and interim milestones disclosed in 1. Foundations and/or support actions and plans disclosed in 2. Implementation Strategy and 3. Engagement Strategy.

TCFD additionality

All aspects of this Sub-Element of the TPT Disclosure Framework go beyond the TCFD recommendations and guidance on transition plans. In particular, an entity should consider disclosing those policies and conditions used to guide business, financial, and operational planning and actions. An entity should consider those policies which are focused on specific topics relevant to climate transition planning.

Interpretative guidance

Across sectors, entities may establish internal policies that drive decisions and actions to align with their strategic ambition and the stated objectives and priorities described in 1. Foundations. Under this Sub-Element, the entity should disclose such key policies and conditions.

Internal policies and conditions disclosed under this Sub-Element may relate to a range of topics relevant to the effective delivery of the transition plan and achievement of the entity’s strategic ambition. This may include:

• Policies governing the entity’s internal operations (e.g., deforestation commitments, policies regarding business travel, investment conditions, technology requirements etc.).
• Policies governing decision-making relating to suppliers or the wider value chain (e.g., exclusion policies for value chain providers, climate-related requirements for suppliers).
• Investment conditions (e.g., exclusion commitments for new oil and gas production, transition-related due diligence requirements, engagement commitments, etc.).
• Engagement policies (e.g., public commitments to align lobbying activities with the goal of restricting global temperature rise to 1.5°C above pre-industrial levels).

Policies and conditions may also address the interdependencies, including the significant risks to, and opportunities for, the natural environment and stakeholders such as the entity’s workforce, suppliers, impacted communities and customers (e.g., safeguards to address potential biodiversity loss, support nature-based solutions with biodiversity co-benefits, commitments to paying the Real Living Wage etc.). In these areas too, policies and conditions may impose checks and balances for relevant decision-makers, such as due diligence and pre-consultation obligations, or quantitative assessment of measured impacts.

In disclosing relevant policies and conditions, the entity should explain how these support the objectives, priorities and interim targets and milestones disclosed in 1. Foundations and/or support actions and plans disclosed in 2. Implementation Strategy and 3. Engagement Strategy. For example, the entity may consider disclosing the objective of the policy, the nature and scope of activities to which it relates, the timeframe over which it applies, how it is overseen, and relevant metrics and targets that are used to assess its impact.
Disclose how the actions outlined in 2. Implementation Strategy and 3. Engagement Strategy will be resourced, as well as the projected impact of these actions on the entity’s financial position, performance and cash flows, where possible. This includes:

- Information on how it expects its financial position to change over time, given the actions it is planning to take to support the entity’s objectives and priorities outlined under 1. Foundations. This should reflect current and committed investments plans (including expected capital expenditure needs) and their anticipated effects on the entity’s financial position, as well as its planned sources of funding to implement its strategy.

- Information on how it expects financial performance to change over time, given its strategy to achieve the objectives and priorities outlined under 1. Foundations (e.g., changes in revenues, operational expenditures).

- Information regarding planned research and development activities for climate solutions. Information regarding the use of internal carbon prices, including the levels of prices applied.

The entity should disclose quantitative information unless it is unable to do so. If the entity is unable to provide quantitative information, it should provide qualitative information.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Suggesting that an entity considers disclosing how its transition objectives priorities, and interim goals, and planned actions, are reflected in its financial plans.

- Suggesting that an entity considers disclosing the projected impact of the transition plan on current and committed investment plans and their anticipated effects on the entity’s financial position.

Under this Sub-Element, the entity should disclose how its transition plan will be resourced, as well as the projected impact of these actions on the entity’s financial position, performance and cash flows. This may include:

- The expected capital expenditure needs that arise from activities as outlined in 2.1 Business planning and operations and 2.2 Products and services, both in absolute terms and, where possible, relative to total capital expenditure over the same time horizon.

- The expected investment needs for research and development activities that arise from activities as outlined in 2.1 Business planning and operations and 2.2 Products and services, both in absolute terms and, where possible, relative to total research and development expenditure over the same time horizon.

- Expected impacts of the transition plan on financial performance (changes to revenues and costs), financial position (changes to assets and liabilities) and cash flow (changes to working capital). This could include:
  - expected impacts on operating costs (e.g., due to long-term utilities savings from investment in renewable energy assets);
  - expected impacts on revenues (e.g., due to shifts in the product portfolio, expected changes in prices etc.);
  - expected impacts on profit margins (e.g., due to assumptions regarding the degree to which changes in costs can be passed through to consumers).

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 credible resourcing plans to support the implementation of its transition plan. 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.
2.5 Sensitivity analysis

Discuss key assumptions and dependencies underlying the entity’s business, operational and financial plans and the implications for achievement of the strategic ambition in its transition plan if its central assumptions are not met.

Disclose the key assumptions underlying the plans outlined under 2.1 Business planning and operations, 2.2 Products and services and 2.4 Financial planning, the timeframes over which these are expected to occur and how these assumptions are reflected in the company’s financial statements.

This may include key assumptions relating to:

• policy and regulatory change;
• technological developments;
• shifts in client and consumer demand; and
• the physical impacts of the changing climate.

Disclose the impact on the ability of the entity to achieve the objectives, priorities and interim milestones outlined under 1. Foundations if these assumptions prove incorrect.

The TCFD recommends that an entity performs scenario analysis to identify how business strategies might change its response to climate-related risks and opportunities, and its resilience to climate-related risks and opportunities. The TCFD’s Transition Plan Guidance refers to scenario analysis, testing the achievability of the plan in different temperature pathways.

In the TPT’s Implementation Guidance, the TPT recommend performing scenario analysis in Stage 1 of the transition planning process – ‘Assessment of climate-related risks and opportunities’ in accordance with the TCFD’s scenario analysis.
Under this Sub-Element, the entity should disclose the assumptions that underpin the wider business strategy outlined under 2. Implementation Strategy. The entity should outline how these assumptions are included in the financial statements.

Given the forward-looking and long-term nature of transition planning, all entities will need to make key assumptions or understand key dependencies when developing their plan. It is critical that when assessing a transition plan, users can clearly identify these assumptions, make a judgment on whether these are realistic assumptions to make, and understand the impact that not achieving the assumptions may have on the plan. This will ultimately inform a user’s overall opinion on the ambition, robustness and feasibility of achieving the plan. What the relevant key assumptions are is likely to vary significantly across entities, depending on their size, sector and geographic location, However, the entity can be expected to make key assumptions in relation to areas such as:

- Policy and regulatory change – this could include assumptions around how policy and regulatory change will, for example, subsidise the cost of investing in climate solutions or incentivise certain demand-side behaviours. Attached to this, assumptions will need to be made around the level of international harmonisation of policy and regulatory change. The entity may use this Sub-Element to communicate the dependencies of its transition plans on key policy changes.
- Technological developments – this could include assumptions around technological innovation or costs, and how these will allow, for example, for the entity to change their products and services portfolio (as outlined in 2.2 Products and services), or reduce the capital expenditure required to acquire, maintain and upgrade fixed assets (as outlined in 2.4 Financial planning).
- The physical impacts of the changing climate – this could include assumptions around changing precipitation patterns and how this may impact access to water required for their operations planned under 2. Implementation Strategy.
- Shifts in client and consumer demand – this could include assumptions around how client and consumer behaviour will evolve over time. For example, the entity would need to make assumptions around the level of demand for new and existing 2.2 Products and services.

In addition, the entity should disclose the implications for the delivery of their plan and the overarching achievement of the plan’s strategic ambition as stated in 1.1 Objectives and priorities, if the stated assumptions are not realised. This can be achieved by considering and disclosing how delivery of the plan might be impacted by the realisation of a different set of assumptions.
3. **Engagement Strategy**

### 3.1 Engagement with value chain

Disclose current and planned engagement activities conducted with both downstream and upstream entities in the entity’s value chain (e.g. suppliers, distributors, final customers and portfolio companies) to drive reductions of GHG emissions and/or deliver the objectives, priorities and milestones outlined in 1. **Foundations**.

Disclose the expected impact of these engagement activities on the delivery of the objectives, priorities and milestones outlined in 1. **Foundations**.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Suggesting that an entity considers disclosing current and planned engagement activities to influence behavioural and business model changes aligned with the entity’s strategic ambition and stated objectives and priorities.

The entity may take action to encourage suppliers to reduce their respective emissions, alter procurement processes or engage with customers to increase demand for low-carbon products and services. Under this Sub-Element the entity should disclose its current and planned approach to engagements with companies and customers within its value chain, including where relevant, how these engagements support the entity’s strategic ambitions. The entity should therefore explain the type of engagement activities it is pursuing, as well as the desired outcomes of such activities and how these are linked to objectives, priorities and interim goals as set out in 1. **Foundations**.

To support users in assessing the credibility and potential impact of such engagement actions, the entity may consider breaking down this disclosure by target audience (e.g., downstream/upstream, sub-groups of suppliers, customer groups etc.).
3.2 Engagement with industry

Disclose current and planned engagement and collaborative activities with peers in the entity’s industry (and beyond, as relevant) to share expertise and address common challenges in support of the entity’s strategic ambition and stated objectives, priorities and interim milestones.

Sub-element

Disclosure recommendation

Disclose current and planned engagement and collaborative activities with peers in the entity’s industry (and beyond, as relevant). This should include:

- Disclose membership of trade organisations, as well as current and planned engagement with trade organisations(s) to influence the trade organisation(s) adoption of transition policies that support the objectives outlined in 1. Foundations.
- Disclose whether and how the entity ensures that the commitments and actions of the entity’s trade organisation(s) support and do not undermine the objectives, priorities and interim milestones outlined in 1. Foundations.
- Disclose current and planned engagement with other entities (including both peers and other relevant entities), and how these engagements support – and do not undermine – the objectives, priorities and interim milestones outlined in 1. Foundations.
- Disclose current and planned engagement with industry initiatives; include requirements the company has chosen to comply with because of these initiatives, and how these engagement activities support – and do not undermine – the objectives and priorities outlined in 1. Foundations.

TCFD additionality

All aspects of this Sub-Element of the TPT Disclosure Framework provide further granularity beyond the TCFD recommendations and guidance on transition plans.

Interpretative guidance

Under this Sub-Element, the entity should disclose its approach to engagement and collaboration with peers in, and where relevant beyond, the entity’s industry to share expertise and address common challenges in support of the entity’s stated objectives, priorities and interim goals as outlined in 1. Foundations. As outlined above, this should cover both engagement with individual companies, as well as with trade organisations and other industry initiatives.

More specifically, the entity should disclose a summary of:

- Membership in trade organisations, as well as current and planned engagement with trade organisations (e.g., engagement to influence the climate advocacy positions of trade organisations that it is a member of).
- Whether and how it ensures that trade organisations support and do not undermine the objectives, priorities and interim goals outlined in 1. Foundations (e.g., actions the entity takes to address misalignments between a trade organisation’s advocacy position and its own objectives, priorities and interim goals).
- Current and planned engagement with other entities.
- Current and planned engagements with other individual companies and how these engagements support the entity’s objectives, priorities and interim goals (e.g., engagement to align climate advocacy positions with peers).
- Current and planned engagement with voluntary industry initiatives, including requirements that the company has chosen to comply with because of these initiatives (e.g., participation in a Race to Zero alliance, Mining 2030, Climate Action 100+, Responsible Steel or the Oil and Gas Climate Initiative).
3.3 Engagement with government, public sector and civil society

Disclose current and planned engagement activities with the government, public sector organisations and civil society to support the entity’s strategic ambition and objectives, priorities and interim milestones.

Disclose the entity’s current and planned engagement activities with government, regulators, public sector organisations and civil society. This disclosure should cover information on both direct climate-related policy engagements and indirect climate-related policy engagements (e.g., via industry associations). Disclose how these engagement activities support- and do not undermine- the objectives, priorities and interim milestones outlined in 1. Foundations.

All aspects of this Sub-Element of the TPT Disclosure Framework provide further granularity beyond the TCFD recommendations and guidance on transition plans.

Under this Sub-Element, the entity should disclose any current and planned direct and indirect climate-related policy engagement activities with the government and/or public sector and explain how these are aligned with objectives and priorities outlined in 1. Foundations. For example, disclosures may include:

- Information on the climate-related advocacy positions of current and planned direct policy engagement activities.
- Information on the climate-related advocacy positions of industry associations that the entity is a member of.
- An assessment of whether and how these are aligned with the objectives, targets and interim goals set by the entity (e.g., support decarbonisation in line with a 1.5C trajectory).
- Any commitments made to align lobbying activities with the objectives, targets and interim goals set by the entity (e.g., public comment to align lobbying activities with a 1.5C trajectory) (see 2.3 Policies and conditions).
- Further information that may be helpful for users to assess the alignment of policy engagement with the objectives, targets and interim goals defined by the entity (e.g., a breakdown of lobbying activities across target audiences, for example regional vs. national governments, or pursued outcomes, such as policy positions pursued).
- The relevance and impact of these engagement activities on the effective delivery of the objectives, targets and interim goals outlined in 1. Foundations.
4. Metrics & Targets

4.1 Governance, business and operational metrics and targets

Disclose the governance, business and operational metrics and targets used by the entity to assess progress towards its strategic ambition and its stated objectives and priorities. Report against metrics used to assess progress towards targets on at least an annual basis.

Disclosure recommendation

To the extent possible, for each target defined, the entity should disclose:

- the objective of the target;
- whether this target is an absolute or an intensity target;
- the period over which the target applies;
- the base period and measurement from which progress is measured;
- for medium to long-term targets, any milestones or interim targets (interim targets are defined as 5-10 years from when the target is set);
- the metric used to assess progress towards reaching the target;
- the relevant units, methodologies and definitions on which this metric relies; and
- the extent to which these metrics rely on measured vs. estimated data.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Specifying that an entity may consider governance, business and operational metrics and targets specifically to monitor progress of delivery of its transition plan.
- Specifying that an entity may consider disclosing how the metrics and targets link to the objectives, priorities and strategies outlined across its transition plan.
- Specifying additional disclosure criteria:
  - the metric used to assess progress towards reaching the target;
  - the relevant units, methodologies and definitions on which this metric relies;
  - the extent to which these metrics rely on measured vs. estimated data;
  - the objective of the target; and
  - for medium to long-term targets, any milestones or interim targets (defined as 5-10 years from when the target is set).

Under this Sub-Element, the entity should disclose relevant and decision-useful governance, business and operational metrics and targets that can be used to measure the progress and delivery of the transition plan. Well-formulated governance, business and operational metrics and targets should be clearly linked to the objectives and priorities outlined under 1. Foundations and/or the planned actions outlined under 2. Implementation Strategy and 3. Engagement Strategy. As relevant to the entity’s business, sector and strategy, these may include:

- Metrics and targets related to operations and processes, such as:
  - energy efficiency (e.g., EJ of energy/ unit produced);
  - water intensity of production (e.g., water use / unit produced); and
  - proportion of business activities and operations vulnerable to transition and physical risks, and associated targets (e.g., for: water utilities: wastewater treatment capacity located in 100-year flood zones).
• Metrics and targets related to products and services, such as:
  o products and/or services that are low-carbon or support the transition towards a low-carbon economy (e.g., for automotive sector: number of zero- or low-emissions vehicles sold); and
  o proportion of products and services vulnerable to transition and physical risks, and associated targets (e.g., for retail banking: number and value of mortgage loans in 100-year flood zones; for aviation: proportion of revenue passenger kms not covered by Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)).

• Metrics and targets related to engagement activities, such as:
  o amount of funding deployed towards lobbying governments on climate-related legislation;
  o number and types of climate-related engagement activities (by supplier/portfolio and/or by topic/theme);
  o outcomes, such as percentage of climate-related engagements that led to a material positive change in company operations/activities; and
  o number of advocacy engagements with governments and policymakers on climate-related policies and outcomes;

• Metrics and targets related to managing material interdependencies, i.e., that are used to assess the success of actions taken to manage the significant risks to, and leveraging the opportunities for the natural environment, the entity’s workforce, suppliers, impacted communities and consumers arising from the short-medium-and long-term objectives and priorities, such as metrics and targets recommended by the TNFD.

• Metrics and targets related to internal governance processes, such as:
  o proportion or number of individuals with remuneration linked to progress against the objectives and priorities of the transition plan; and
  o proportion of executive remuneration that is linked to progress against the objectives and priorities of the transition plan.

Under this Sub-Element, the entity should further provide a series of details about its metrics and targets to help ensure that these are decision-useful and understandable. Most importantly, the entity should explain the selection of metrics, and how these are linked to the rest of the plan. In addition, the entity should be transparent about underlying definitions that are applied (e.g., categorisation of low-carbon/green products and services, referencing appropriate taxonomies or other certifications) and the types of measurements used to derive metrics (including whether the underlying data comes from direct measurements, reported data from other entities, or proxy indicators).

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4.2 Financial metrics and targets

Disclose the financial metrics and targets that are used by the entity to assess progress towards its strategic ambition and its stated objectives and priorities. Report against metrics used to assess progress towards targets on at least an annual basis.

Disclosure recommendation

Disclose the financial metrics and targets that the entity is using to set their ambition and monitor progress of their transition plan. The entity should further outline how these reflect the objectives and priorities outlined under 1. Foundations and relate to the actions outlined under 2. Implementation Strategy and 3. Engagement Strategy.
The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Specifying that an entity considers disclosing financial metrics and targets specifically to monitor progress of delivery of its transition plan.
- Specifying that an entity clarifies how the metrics and targets link with its transition plan’s objectives, priorities, and actions.
- Specifying additional disclosure criteria:
  - the metric used to assess progress towards reaching the target;
  - the relevant units, methodologies and definitions on which this metric relies;
  - the extent to which these metrics rely on measured vs. estimated data;
  - for medium to long-term targets, any milestones or interim targets (defined as 5-10 years from when the target is set).

Under this Sub-Element, the entity should disclose relevant and decision-useful financial metrics and targets that are used to assess progress and delivery of the plan. Well-formulated financial metrics and targets should be clearly linked to the objectives and priorities outlined under 1. Foundations and/or the planned actions outlined under 2. Implementation Strategy and 3. Engagement Strategy. As relevant to the entity’s business, sector and strategy, these may include:

- metrics and targets on no- or low-GHG capital expenditures;
- metrics and targets on revenues from no- or low-GHG products and services;
- metrics and targets regarding the proportion of low- or no-GHG (financial) assets;
- metrics and targets on procurement from no- or low GHG suppliers; and
- metrics and targets on no- or low-GHG R&D investments.

Under this Sub-Element, the entity should further provide a series of details about its metrics and targets to help ensure that these are decision-useful and understandable. Most importantly, the entity should therefore explain the selection of metrics, and how these are linked to the rest of the plan. In addition, the entity should be transparent about underlying definitions that are applied (e.g., categorisation of low-carbon/green products and services, referencing appropriate taxonomies) and the types of measurements used to derive metrics (including whether the underlying data comes from direct measurements, reported data from other entities, or proxy indicators).
4.3 GHG emissions metrics and targets

Disclose the GHG metrics and targets that are used by the entity to assess progress towards its strategic ambition and its stated objectives and priorities. Report against metrics used to assess progress towards targets on at least an annual basis.

Disclosure recommendation

Disclose the GHG emissions metrics and targets that the entity is using to set their ambition and monitor progress of their transition plan. The entity should further outline how these reflect the objectives and priorities outlined under 1. Foundations and relate to the actions outlined under 2. Implementation Strategy and 3. Engagement Strategy.

Metrics

Disclosures on GHG emissions metrics should include:

- Absolute gross GHG emissions generated during the reporting period, measured in accordance with the Greenhouse Gas Protocol Corporate Standard, and Corporate Value Chain Standard expressed as metric tonnes of CO2 equivalent, classified as Scopes 1, 2 and 3 emissions.
- GHG emissions intensity for each scope, expressed as metric tonnes of CO2 equivalent per unit of physical or economic output, classified as Scopes 1, 2 and 3 emissions.
- The extent to which these metrics rely on measured vs. estimated data.

Targets

Disclosures on GHG emissions targets should include:

- Absolute gross GHG emissions reduction targets for Scopes 1 and 2;
- Absolute gross GHG emissions reduction targets for Scope 3;
- GHG emissions intensity targets expressed as metric tonnes of CO2 equivalent per unit of physical or economic output for Scopes 1 and 2;
- GHG emissions intensity targets expressed as metric tonnes of CO2 equivalent per unit of physical or economic output for Scopes 3, and
- any additional GHG emissions targets that the entity has set (e.g., methane reduction targets).

For each of the targets above, the entity should disclose:

- the objective of the target;
- whether this target is an absolute or an intensity target;
- the period over which the target applies;
- the base period and measurement from which progress is measured;
- for medium to long-term targets, any milestones or interim targets (interim targets are defined as 5–10 years from when the target is set);
- the metric used to assess progress towards reaching the target; and
- the relevant units, methodologies and definitions on which this metric relies; and
- the extent to which these metrics rely on measured vs. estimated data.

For Scope 3 emissions, which are disclosed in accordance with 4.3 GHG emissions metrics and targets:

- The entity should include upstream and downstream emissions in its measure of Scope 3 emissions.
- The entity should disclose the categories included within its measure of Scope 3 emissions.
- When the entity’s measure of Scope 3 emissions includes information provided by entities in its value chain, it should explain the basis for that measurement.
- If the entity excludes categories of Scope 3 emissions from its metrics and targets, it should state the reason for omitting them, and any steps it is taking to improve monitoring and reporting systems and enable target setting for relevant Scope 3 emission categories.
The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Specifying the reason for excluding Scope 3 categories from GHG emissions and metrics and targets, and steps that an entity is taking to improve monitoring and reporting systems and enable target setting for relevant Scope 3 emission categories.
- Specifying the supplementary information that an entity should disclose about its GHG emissions metrics and reductions targets including the coverage of the targets, the alignment with international agreements and any national target and strategy on climate change.
- Specifying additional disclosure criteria:
  - the metric used to assess progress towards reaching the target;
  - the relevant units, methodologies and definitions on which this metric relies;
  - the extent to which these metrics rely on measured vs. estimated data;
  - the objective of the target; and
  - for medium to long-term targets, any milestones or interim targets (defined as 5-10 years from when the target is set).

TCFD additionality

Under this Sub-Element, the entity should disclose its GHG emissions and any long-term and interim GHG emissions reduction targets (interim is defined as 5–10 years from when the target is set).

**Metrics:** Under this Sub-Element, the entity should annually report its GHG emissions across Scopes 1, 2, and 3 in accordance with the GHG Protocol’s Corporate Accounting and Reporting Standard and the GHG Corporate Value Chain (Scope 3) standards, which are intended to ensure a faithful, true, and fair account of an entity’s GHG emissions. In addition, this Sub-Element requires the entity to further include a series of supplementary disclosures, which allow users to better assess the emissions profile of the entity and judge the accuracy and reliability of reported emissions data (including the entity’s reliance on estimated vs. reported data).

In addition to the above, disclosures under this Sub-Element may include:

- weighted average carbon intensity;
- financed emissions by asset class; and
- gross global Scope 1 GHG emissions covered under emissions-limiting regulation (e.g., an emissions trading schemes).

**Targets:** Under this Sub-Element, the entity should disclose on what emissions reduction targets it has set, including a series of supplementary disclosures which are intended to allow users to better assess the credibility and ambition of these targets. Importantly, this Sub-Element asks disclosures of both long-term targets and any interim targets, understood as pre-2030 targets (see 1. Foundations).

In addition to the above, disclosures under this Sub-Element may include:

- Where the entity has conducted an abatement capacity assessment (See Stage 1: Baseline current position: Decarbonisation levers assessment), it’s projected abatement capacity (i.e. share of emissions projected to be currently economic to abate, share of emissions likely economic to abatement over the long-term and share of emissions likely to remain uneconomic to abate).

The TPT recognises that entities may currently face challenges in reporting accurate and reliable Scope 3 emissions data. If the entity excludes categories of Scope 3 emissions from its metrics and targets, it should state the reason for omitting them (e.g., due to challenges of data availability or because these emissions are not material) and, where relevant, outline any actions it is taking to enable target setting for relevant Scope 3 categories. For guidance on what Scope 3 categories are regarded as relevant, see Stage 1: Baseline current position: Emissions footprinting.

Financial institutions may further want to rely on complementary guidance from the Partnership of Carbon Accounting Financials (PCAF) which provides guidance to assist in the measurement and disclosure of GHG emissions associated with asset classes including listed equities and bonds, commercial real estate, project finance and business loans among others.
4.4 Carbon credits

Disclose the intended use of carbon credits which are used by the entity to achieve progress towards the entity’s strategic objectives and priorities, and annually report on the use of carbon credits.

Carbon credit targets

Disclose the entity’s intended use of carbon credits in achieving the objectives and priorities outlined under 1. Foundations. In explaining the intended use of carbon credits, the entity shall disclose information including:

- Why the entity is employing carbon credits and how the use of carbon credits supports achieving the objectives and priorities outlined under 1. Foundations.
- What third-party verification or certification scheme or schemes the credits are subject to.
- The type of carbon credit, (e.g., whether the credits are generated from carbon removal vs. emissions avoidance projects, or whether they are based on natural carbon removals vs. technological carbon removals).

Carbon credit metrics

Entities should annually report on the use of carbon credits used to assess performance against the objectives and priorities outlined under 1. Foundations. This should include:

- The number and cost of credits purchased and retired.
- What third-party verification or certification scheme or schemes the credit was subject to.
- The type of carbon credit (e.g., whether the credits are generated from carbon removal vs emissions avoidance projects, or whether they are based on natural carbon removals vs. technological carbon removals).
- Any other significant factors necessary for users to understand the credibility and integrity of carbon credits intended to be used by the entity.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Specifying that an entity should consider disclosing why it is using carbon credits and how this use supports progress towards targets.
- Specifying that an entity should consider disclosing carbon credits separately from GHG emissions reduction targets, and specifying supplementary information to allow users to assess the type and quality of the purchased credits.

Under this Sub-Element, the entity’s approach to carbon credits should be consistent with the mitigation hierarchy, outlined by the Science-based Targets initiative (SBTi), and the VCMI Code of Practice. This implies that where the entity has placed an emphasis on value chain emissions reduction within its transition plan, any purchase of carbon credits is regarded as additional and not as a replacement of these efforts. This is why metrics and targets regarding the use of carbon credits are recommended to be disclosed separately from metrics and targets used to disclose against Scope 1, 2 and 3 emissions reduction plans.

In addition, the entity should disclose a series of further information regarding carbon credits to allow external stakeholders to assess the robustness of the purchased carbon credits. This includes:

- Any other significant factors necessary for users to understand the credibility and integrity of carbon credits intended to be used by the entity.
• The number of credits purchased and retired. We recommend that the entity specifies both the date of purchase and date of use, separately.

• Information about any third party verification or certification that the credits are subject to, such as the Gold Standard or Verra’s Verified Carbon Standard. Entities may further disclose whether these verification schemes adhere to internationally recognised standards such as those developed by the Integrity Council for the Voluntary Carbon Market.

• The type of carbon credit, including whether it was nature-based (e.g., via mangrove restoration projects), or based on technological carbon removals (e.g., direct air capture), and whether it was generated through carbon removal or emissions reduction.

• Other significant factors necessary for users to understand the credibility and integrity of offsets. Here the entity may consider setting out:
  - Information to identify the project, including the project name, project identifier, carbon crediting program and issuing registry, credit vintage, carbon credit price, host country, project location, project type and methodology.
  - Whether or not the carbon credit is associated with corresponding adjustments by the host, buyer or third-party country, and any host country policy on corresponding adjustments, including specific reference to proof of retirement.
  - Whether and how the project contributes to the sustainable development of the host country. For example, by supporting national or international adaptation by setting aside a share of proceeds to support adaptation, or investing into beyond-baseline environmental and social impacts associated with the project.
  - Proof that the principle 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 on how the proceeds of a project from which carbon credits have been generated have been shared with the host community.
  - Assumptions regarding the permanence of the carbon credit.
5. Governance

5.1 Board oversight and reporting

Describe the entity’s arrangements for Board-level governance of the transition plan, including its processes for Board-level review and approval of the transition plan, and for the oversight of monitoring and reporting of progress against the entity’s stated objectives and priorities.

Describe the entity’s arrangements for Board-level review and approval of the transition plan, and for the oversight of monitoring and reporting of progress against it. This should include:

- A description of the entity’s arrangements and processes for the Board’s approval of the transition plan.
- Whether and how the arrangements are reflected in the entity’s terms of reference, board mandates and other related policies.
- Whether and how the targets are reviewed by the Board and/or a Board sub-committee.
- Whether and how frequently the transition plan is reviewed by the Board and/or a Board sub-committee.
- Whether and how frequently the Board will monitor and receive reports on progress against the plan’s objectives and priorities.
- A description of how the Board considers transition plan Elements in wider strategy, risk management and decision making on resource allocation.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Specifying that an entity should disclose the roles and responsibility of the Board and its sub-committees with regards to the transition plan and whether and how these are reflected in the terms of reference, mandates and similar policies.
- Specifying that an entity should disclose both the frequency with which the Board receives reports and reviews the transition plan, and the process by which the Board reviews progress against the targets and the plan.
- Specifying that an entity should consider disclosing how the Board links transition plan Elements with wider strategy, risk management, and decision making on resource allocation.

TCFD additionality

Under this Sub-Element, the entity should describe the governance structures it has in place to ensure accountability for progress against the objectives and priorities outlined under 1. Foundations. To this end, the entity should describe the arrangements for Board-level governance and oversight of its transition plan. This disclosure recommendation covers the following four related but distinct questions which may help users to understand the role of the Board in the entity’s transition planning journey.

- The role that the Board plays in the approval of the transition plan. This may include outlining whether a specific Board Member or sub-committee has been appointed to be accountable for the transition plan.
- Information on the frequency with which the Board (or relevant Board sub-committee) will review the plan.
- The way the Board monitors and oversees progress against the objectives and priorities outlined under 1. Foundations. Here, the entity may consider including information about the process and frequency by which the Board (or relevant Board sub-committee) is informed about the progress of the plan (e.g., internal reporting processes).
- Information about how the transition plan is considered by the Board (or relevant Board sub-committee) in other decision-making processes. For example, the entity may include a discussion of whether and how the Board considers the transition plan when reviewing and guiding business strategy, major plans of action, budgets or when defining performance objectives.

In instances where the transition plan underlies identical governance practices as other business functions or areas, the entity should not disclose the relevant information separately from disclosures of general governance practices, provided that the entity clearly specifies that these also cover delivery of the transition plan.
5.2 Roles, responsibility and accountability

Describe senior management roles and responsibilities for the execution of the transition plan, as well as the entity’s wider control, review and accountability mechanisms.

- The identity of the body or individuals within a body responsible for oversight and delivery of the transition plan, including the setting and review of targets and monitoring of progress towards them.
- Whether the transition plan is subject to shareholder approval.
- How relevant corporate procedures, systems and decision-making processes have been amended to support delivery of the plan.
- An overview of which aspects of the transition plan are subject to external assurance, including the nature of the assurance.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:

- Specifying that an entity discloses who has oversight and delivery of the transition plan, including the setting of targets and monitoring of progress towards them.
- Specifying that an entity discloses whether the transition plan is subject to shareholder approval.
- Specifying that an entity should describe how relevant corporate procedures, systems and decision-making processes have been amended to support delivery of the plan.
- Suggesting that an entity discloses what aspects of the plan are subject to external assurance, and the nature of the assurance obtained.

Under this Sub-Element, the entity should describe the roles and responsibilities of management in executing the transition plan, and the internal accountability mechanisms that support the plan. This may include:

- How the responsibilities for design, development and delivery of the transition plan or its Elements are integrated into the role descriptions and responsibilities of senior management and other relevant staff, and included in their annual objectives.
- Whether members of the senior management team have been appointed to be accountable for the transition plan or parts of the transition plan.
- How often those members of the senior management team are informed about progress and updates regarding the transition plan.
- Descriptions of how relevant individuals across teams and functions, who have accountability for the execution of the transition plan, are being brought together to promote cross-company ownership of the transition plan and embed a consistent approach across the entity.
- How senior executives and other senior managers are informed about transition plan performance indicators, as well as delivery risks and how they are being mitigated or managed.
- Relevant escalation processes that are in place to enable any challenges or concerns in relation to the entity’s transition to be communicated to and considered by senior management and the board as appropriate.
- Information on internal controls that are in place to scrutinise the transition plan, and progress against the plan, by relevant internal assurance functions such as internal audit.
- Whether transition plan disclosures are subject to external assurance or audit. The nature of the assurance and the subject matter that is audited or assured should be clear.
5.3 Culture

Describe the steps that the entity has put in place to build a culture aligned with the strategic ambition in its transition plan, including through leadership and training programmes, HR policies and procedures and wider workforce engagement.

Describe any steps that the entity is taking to build a culture that supports the successful implementation of the transition plan. This may include:

- Information on actions to review systems, processes, communications, HR policies and procedures (including compensation and benefits), company values, leadership and manager training programmes and workforce engagement strategies to ensure the culture supports the behaviours and ways of working needed for the transition.

All aspects of this Sub-Element of the TPT Disclosure Framework provide further granularity beyond the TCFD recommendations and guidance on transition plans.

Under this Sub-Element, the entity should consider outlining what policies or programmes are currently in place or planned which promote a whole-organisation culture that is aligned with strategic ambitions and objectives, priorities and interim goals as outlined in 1. Foundations and any interdependencies with the entity’s workforce as outlined in Sub-Element 1.2 Business implications. It is critical that the entity’s culture and the people strategy support the climate strategy by enabling and rewarding the required behaviours and new ways of working, and by inspiring and meaningfully engaging the workforce and prospective employees in order to retain and attract the required talent and skills.

The actions described under this Sub-Element should be those that promote a climate-aware and transition-aligned way of working and culture throughout the entity’s entire workforce, such as:

- Identification of key employees – this could include leadership- and management-level staff, working structures that are key enablers of cultural shifts and promoters of climate awareness within the business.
• Outline of what programmes are planned or in place – this could include Board-level, senior management and non-senior engagement or training programmes, and HR policies, which promote a transition-aligned culture, behaviours, and, ways of working needed for the transition.
• Core values that the entity has which are aligned to and support the implementation of the transition plan.
• A summary of incentives or benefits that employees of all levels receive for working in a way that promotes behaviours necessary for the transition (as outlined under 5.4 Incentives and remuneration).
• Description of how the entity is listening to and engaging its workforce on the transition plan.

5.4 Incentives and remuneration

Describe whether and how the entity has put in place arrangements to align remuneration and incentive structures with the stated objectives and priorities in its transition plan.

Describe whether and how remuneration and incentives for employees are aligned to the objectives and priorities outlined under 1. Foundations. This should include:
• A description of how transition plan-related considerations are factored into executive remuneration, including:
  o the percentage of executive management remuneration that is linked to transition-plan related considerations; and
  o key transition plan-related performance indicators used.

The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:
• Specifying that an entity should disclose whether incentives and remuneration are aligned with performance indicators related to the plan.
• If incentives are aligned, specifying that an entity provides a description of how transition plan-related considerations are factored in, including the percentage of executive remuneration that is linked to transition plan-related considerations and the performance indicators used.

Under this Sub-Element, the entity should describe how incentives and remuneration for senior management and employees are aligned to the objectives, priorities and interim goals outlined under 1. Foundations.

The merits of linking executive remuneration with climate objectives are well established, in terms of organisation’s desired behaviours, setting the tone from the top, providing a ‘north star’ for incentive plan participants, and as a governance tool to signal management’s support of the plan to employees and external stakeholders.
The entity may consider setting out:
- Whether and how performance-related pay for the executive level is aligned to climate transition objectives, including:
  - the metric(s) used to calibrate pay;
  - the incentive vehicle in which the metric(s) exists (e.g., annual bonus and/or long-term incentive plan); and
  - the typical weighting of transition metric(s) in the plan(s).
- Whether and how performance-related pay of employees below the executive level is aligned to climate transition objectives. In doing this, the entity should consider describing:
  - the metric(s) used to calibrate pay;
  - the proportion or number of employees (including executives) whose performance-related pay is aligned with the metric(s);
  - the incentive vehicle in which the metric(s) exists (e.g., annual bonus and/or long-term incentive plan); and
  - the typical weighting of transition metric(s) in the plan(s).
- Whether and how HR policies and benefits are aligned to the climate transition objectives.

5.5 Skills, competencies and training
Describe how the entity ensures that it has the appropriate skills, competencies and knowledge across the organisation to effectively design, develop and deliver the transition plan.

Disclosure recommendation
Describe how the entity will ensure that it has the appropriate skills, competencies and knowledge across the organisation to successfully deliver its transition plan. This should include how the entity ensures that relevant board members are involved, and that the board and executive management have or have access to appropriate skills, competencies and knowledge required to provide for effective oversight of the transition plan.

All aspects of this Sub-Element of the TPT Disclosure Framework provide further granularity beyond the TCFD’s recommendations and guidance on transition plans.
Under this Sub-Element the entity should demonstrate that it has taken the necessary steps to understand what skills and knowledge it needs in the organisation to be able to successfully implement the transition plan. This may include:

- Disclosing on steps the entity has taken to identify future skills and knowledge needs.
- Summarising actions the entity is taking to fill knowledge and skills gaps (e.g., company-wide awareness raising and communications, targeted training and re/upskilling for specific workforce groups, re-organising roles and talent development programmes).

In addition, the entity should describe how it has ensured that its Board and senior management members who are responsible for the transition plan have, or have access to, the necessary skills, competencies and knowledge required to provide effective oversight of the transition plan.
CHAPTER 3 – HOW TRANSITION PLANS ARE USED

Like many entity publications, there are a wide range of possible user groups who may make use of an entity’s transition plan. When developing the Disclosure Framework, the TPT engaged with a range of organisations to understand how they use entity transition plans to inform their own decision-making.

The following section provides an overview of some of the most common users and use-cases (as summarised in Table 2). It is intended to inform entities preparing transition plans about the likely audiences of their disclosures and their respective informational needs.
### Table 2: Overview of Key Users and Use Cases

<table>
<thead>
<tr>
<th>USE CASE</th>
<th>USER GROUPS &amp; ENTITY TYPES</th>
<th>SUMMARY OF KEY FOCUS AREAS &amp; INFORMATION NEEDS</th>
</tr>
</thead>
</table>
| Managing the transition internally | All preparing entities. Predominantly management teams and Board of Directors | • Supporting the integration of climate-related objectives and an entity’s broader strategy.  
• Communicating transition objectives and priorities and resulting changes to an entity’s business model to employees.  
• Supporting the implementation and operationalisation of the plan across the reporting entity. |
| Investing and stewardship | Including asset owners, asset managers, private equity, banks, insurers | • Assessing investee entities’ transition paths to inform engagement and investment decisions, and to align with their own climate objectives and transition plans.  
• Supporting investors’ efforts to reduce the carbon intensity of portfolios over time and exposure to assets with high climate transition and/or physical risk.  
• Supporting/engaging in investment in transition-resilient entities and providers of climate solutions. |
| Lending | Including retail and investment banks, multilateral development banks, export credit agencies, development finance institutions | • Assessing counterparty entities’ transition paths to inform engagement and lending decisions and to align with own climate objectives and transition plans  
• Assessing counterparties’ credit risk, compliance with covenants with regards to green finance terms.  
• Supporting lender’s efforts to reduce the carbon intensity of portfolios over time and exposure to assets with high climate transition risk over time.  
• Support lending in transition-resilient entities and providers of climate solutions. |
| Insurance and reinsurance | Insurers, reinsurers | • Assessing insured entities’ transition paths to inform underwriting decisions and to align with own climate objectives and transition plans.  
• Support the economy-wide transition by providing risk-adjusted insurance cover to climate solutions. |
| Assessing value chain | Real economy entities and governments | • Assessing value chain entities’ transition plans, with a view to managing carbon emissions in the value chain consistent with (science-based) targets.  
• Understanding the remaining corporate carbon budget that is implied by value chain entities’ net zero targets.  
• Tracking value chain entities’ annual progress against carbon reduction trajectories to inform their Scope 3 emissions profile.  
• Supporting/engaging with value chain entities on their transition plans. |
| Assessing value chain | Data providers, benchmarking organisations | As above, while also emphasising standardised sectoral metrics/KPIs, such as:  
• % of revenue impacted by transitional risks;  
• location of assets impacted by physical climate risks; and  
• potential asset impairment due to climate-related risks. |
| Regulating and policymaking | Central banks, governments, prudential regulators, industry and environmental regulators | Assessment of the quantity and quality of disclosures and impact on macroprudential supervision compliance. |
| Accountability from wider society | Non-governmental organisations and consumers | Alignment of evidence of entities’ progress towards achieving stated climate ambition. |
3.1 Internal use cases

One critical user of an entity’s transition plan is the preparing entity itself. For example, possible internal uses include:

• Helping the management team and Board of Directors define how climate targets align with the entity’s broader strategy.
• Communicating transition objectives, priorities and resulting changes to the entity’s business model to employees.
• Embedding climate change into the entity’s culture and providing transparency to employees on action being taken.
• Supporting the operationalisation of implementation and engagement strategies.
• Providing a tool to manage and monitor progress against an entity’s climate-related objectives and targets, integrating existing internal financial and non-financial data sources.
• Strengthening decision making by creating related key performance indicators (KPIs).
• Creating accountability by (i) transparently delegating responsibility for the delivery of key short and medium-term actions to key employees across the entity and (ii) providing regular progress assessments against short and medium-term objectives and priorities at an operational level.
• Aligning incentives by creating renumeration structures based on KPIs linked to the transition plan.

3.2 External use cases

In addition to the internal audience, there are a variety of external users that may draw on transition plans for different purposes. As outlined in this section, different groups of external stakeholders may require varying levels of granularity against the Elements and Sub-Elements of the Framework. In some cases, preparers may wish to tailor their disclosures to focus on the informational needs of specific external stakeholders.

3.2.1 Investing and stewardship

Investors have an important role to play in contributing to an early and orderly whole-of-economy transition, e.g., by providing finance to the development of climate solutions, funding the accelerated phase-out of carbon-intensive assets or redirecting capital towards entities that are aligned or aligning with the transition. Transition plan disclosures are critical to allowing investors to play that role. Most importantly, they enable capital providers to (i) better understand and manage their climate risk exposure and accelerate opportunities, (ii) align their financing with the objectives and priorities of their own transition plans, and (iii) more effectively engage in stewardship.

INFOBOX 3: Investor commitments

Investors are increasingly stepping up efforts to align their investment activities with the goals of the Paris Agreement. Key initiatives include:

• The UN-convened Net Zero Asset Owner Alliance (NZAOA), a global coalition of institutional investors which jointly represent USD 6.6 trillion in assets which have committed to transitioning their investment portfolio to net zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels.
• The Net Zero Asset Managers initiative (NZAM), a global group of asset managers which jointly represent USD 61.3 trillion assets under management, which have committed to transitioning their portfolios to net zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels.
• The Paris Aligned Investment Initiative (PAII), a global forum of asset owners which seeks to drive investing commitments and support investors in implementing commitments.

Transition plan disclosures play a key role in allowing investors to achieve these commitments.
First, transition plan disclosures equip investors to make more informed financing decisions. They provide crucial information about an entity’s climate ambitions, its strategy for navigating the uncertainties of the transition, as well as the credibility of the action plans and accountability structures which underpin these ambitions. For example, a qualitative description of how a transition plan will impact the overall business model of a reporting entity is a crucial piece of information for investors, seeking to understand the ability of an entity to navigate the uncertainty of the transition. Similarly, reported data regarding Scope 1, 2 and 3 emissions, planned and actual green capital expenditure and investment in low-carbon R&D are examples of useful data points that allow capital providers to assess whether an entity is taking meaningful steps to achieve its climate pledges. Taken together, transition plans therefore allow capital providers to better assess the potential risks and opportunities of holding certain assets in their investment portfolio, as well as improve their understanding of their exposure to climate-related risks. This improves their ability to make sound decisions.

Secondly, transition plan disclosures are important for investors seeking to develop their own transition plans and assess progress towards their stated objectives. For example, investors may, as part of their own strategy for contributing to and preparing for the transition, seek to finance the managed phase-out of carbon-energy intensive assets. Transition plans can be an important tool that allows them to prioritise investments in entities that have the most credible phase-out plans and monitor annual progress against these plans. Similarly, data from investee entities about their Scope 1, 2, and 3 emissions are important inputs for investors seeking to measure their own emissions footprint and intensity, current transition profile and net zero alignment status. Transition plan disclosures along the investment intermediation chain can also encourage mutually supportive action towards net zero between asset owners and their delegated asset managers. For instance, such disclosures can encourage proactive engagement and support the design and implementation of institutional investment mandates that align with both parties’ net zero ambition.

Finally, transition plan disclosures enable better investor stewardship, a crucial tool for supporting an effective transition. Through stewardship activities such as corporate engagement, filing and voting on shareholder proposals, voting on board composition etc., asset owners and managers seek to engage with and influence management to ensure an entity takes a strategic approach to climate issues. Disclosure of transition plans by investee entities will allow investors to assess which of their portfolio entities have less mature transition plans, and to prioritise engagement efforts accordingly. In addition, transition plan disclosure creates transparency around an entity’s progress against its strategic objectives and priorities. This allows investors to better exercise their shareholder voting rights — including votes on directors and advisory ‘Say on Climate’ votes — to hold boards and management accountable.

Transition plan disclosures equip investors to make more informed financing decisions. They provide crucial information about an entity’s climate ambitions, its strategy for navigating the uncertainties of the transition, as well as the credibility of the action plans and accountability structures which underpin these ambitions.
INFOBOX 4: Relevant resources on investors’ data needs

To ensure decision-useful transition plan disclosures, an entity should seek to understand what types of data are relevant to the different providers of financial capital. In doing so, it could consider the emerging relevant standards, methodologies, and frameworks. The following is a summary of some illustrative examples of such emerging guidance on the data needs of capital providers:

- **GFANZ** has published a report on *Expectations for Real-economy Transition Plans* for consultation. This document provides granular guidance regarding the information that financial institutions find relevant, when assessing transition plans.

- The **Institutional Investors Group for Climate Change (IIGCC)** is a coalition of investors which aims to support and enable investors in driving progress towards net zero and a resilient future. Besides publishing guidance targeted at investors (see e.g., *Net Zero Investment Framework (NZIF)*), they collaborate with other initiatives such as the Transition Pathway Initiative (TPI) to develop guidance and investor expectations for entities across a range of specific sectors (see e.g., *Net Zero Standards for Oil and Gas*). They have also published reports on other sectors like the trucking industry and its value chain.

- **Climate Action 100+** is an international investor network engaging with entities on catalysing climate action. They published a *Net Zero Company Benchmark* which is used to assess the performance of entities against the initiative’s goals.

- The **Transition Pathway Initiative (TPI)** is a global initiative which gives investors open access to assessments of entities’ preparedness for transition. In addition, they have prepared a series of reports, methodological notes and guidance documents which can help entities across different sectors understand what information capital providers are likely interested in.
3.2.2 Lending

Similar to investors, banks and other lenders can support the transition to a net zero economy through their lending and financing decisions and by enabling the transition of their clients. Like investors, lenders will look to transition plans to better understand their exposure risks at the portfolio level, in particular an entity’s credit risks, for which exposure is driven by climate-related, operational, market, legal and reputational risks.

In addition, transition plans can provide key inputs for developing sustainability-linked lending products to ensure i) the use of proceeds, or ii) that borrowers’ strategies are aligned with and contribute to a low-carbon future. For example, lenders are increasingly looking to link the cost of capital to transition-related indicators such as decarbonisation performance. Transition plans can inform and provide the data for such sustainability-linked financing arrangements, thereby allowing lenders to provide a financial incentive that encourages borrowers to deliver on their plan. Lenders will therefore be particularly interested in the targets defined in a transition plan, as well as annual reporting of key performance indicators that allow for the measurement of progress.

INFOBOX 5: Lender commitments

Similar to asset owners and asset managers, lenders are increasingly signing up to supporting the global transition to net zero. A key alliance in this space is the Net Zero Banking Alliance (NZBA), which represents nearly 40% of global banking assets. Participating institutions have committed to aligning their lending and investment portfolios with net zero emissions by 2050.

Members further agreed to use the Guidelines for Climate Target Setting for Banks, which are based on the following principles:

- Decarbonisation goals that support the transition to a net zero economy by 2050, with intermediate targets defined every five years.
- The banks’ goals must include the yearly report of Scope 1, 2, and 3 emissions from their clients.
- The targets shall focus on achieving an impact on the real economy.
3.2.3 Insuring

Insurers can support the transition to a net-zero economy through their underwriting decisions. Transition plan disclosures are useful for insurers as they allow them to better understand an entity’s exposure to climate-related risk. For example, understanding an entity’s planned climate solutions, research and development activities and asset phase-out in the short-term, will be key information which allows insurers to assess the risk profile of a client. Similarly, insurers are likely to be interested in the robustness of the sensitivity analyses underlying the plan, including whether the transition plan is sufficiently resilient to the physical impacts of a changing climate. This information allows insurers to provide risk-adjusted insurance cover to support innovation and enable low-carbon assets and climate solutions to enter the market.

INFOBOX 7: Insurer commitments

Insurer Commitments

Insurers play a unique role in the transition as risk managers and enablers of assets. The UN-convened Net-Zero Insurance Alliance (NZIA) brings together over 29 internationally leading insurers which have committed to transitioning all operational and attributable greenhouse gas (GHG) emissions (Scope 1, 2, and 3) from their insurance and reinsurance underwriting portfolios to net zero by 2050. The NZIA also considers integrating entity-specific net zero and decarbonisation-related risk criteria into risk management frameworks.

3.2.4 Assessing value chain

Real economy entities and governments looking to reduce their Scope 3 emissions or ensure the climate resilience of their supply chains are another key user of corporate transition plans. Key uses include (i) assessing the exposure of their own supply chain to climate-related risk, and (ii) assessing whether suppliers and value chain(s) are aligned with their own transition plan objectives, thereby informing targeted actions to reduce their Scope 3 emissions.

Firstly, real economy entities typically use data disclosed within supplier or customer transition plans to inform their own commercial decisions about how to mitigate climate-related risks. For example, transition plans can help entities assess whether their suppliers or customers are exposed to high physical risks (e.g., due to the location of their production facility), and understand whether they have credible action plans in place to mitigate those risks. Similarly, they may look to transition plans to understand possible reputational and litigation risk that may arise from working with particular suppliers.

Secondly, real economy entities may look to transition plans of entities within their supply-chain to inform the development of their own transition plans. Transition plan disclosures are crucial to allow an entity to understand the Scope 3 emissions associated with their operations, and understand the degrees to which different segments of their value chain are aligned with their own ambition. They are therefore likely to be interested in information on GHG emissions, whether these have been verified by third-parties, as well as how targets and current GHG emissions compare to industry peers. This information can then be used to define objectives and priorities for Scope 3 emissions reductions and value chain engagement efforts.
3.2.5 Data analysis

Comparing transition plans and identifying leading and lagging practices is becoming an important component among financial market participants to make investment decisions. Data analytics providers are playing an increasing role in assessing the progress of portfolio entities against their transition plans, including through modelling Implied Temperature Rise (ITR) metrics. Data analytics providers can also assess the level of ambition between entities and analyse the viability of meeting their own targets.

Data analytics providers are particularly interested in quantitative data in a tabulated format that can be used as a key input into data analytic models, as well as information regarding the methodology behind the target setting or alignment metric. Additionally, assumptions such as carbon savings from changes in products or services, growth assumptions, and any plans to invest or develop low-carbon products can act as an important forward-looking signal for investors.

A number of different users, including policymakers/regulators, are expected to use transition plan data in aggregated form. Aggregation will also require consistent data formatting and metrics. Preparers should consider presentation and granularity of data, as well as digital tagging requirements, when disclosing quantitative data to enable data to be accurately reflected in data models and provide a holistic picture of the current and future emissions intensity of a sector or portfolio.

3.2.6 Regulating and policymaking

Central banks and prudential regulators have the responsibility to ensure that the financial system is appropriately managing its exposure to climate-related risks. This involves both microprudential supervision, which ensures that individual entities are appropriately managing risks, and macroprudential supervision, which aims to ensure that the financial system is resilient to climate-related risks. Transition plans play an important role in providing forward-looking information which will enable timely allocation of capital to finance the transition as well as to identify, measure and, where necessary, mitigate the potential climate-related risks.

Securities and conduct regulators have a responsibility to preserve and enhance market integrity and investor and consumer protection. Strengthening disclosure of high-quality transition plans will better inform asset pricing, leading to more accurate valuation of issuers’ securities. With better information, financial services firms can make more informed capital allocation decisions and develop products that better meet client and consumer preferences. Ultimately, clients and consumers can then assess which providers meet their needs and hold them to account. Regulators themselves can also use transition plan disclosures to assess the extent to which listed entities and regulated firms are able to evidence credible, actionable plans aligned with their public net zero claims. To this end, regulators, such as the FCA, have already set regulatory expectations regarding transition plan disclosures, directly referencing the transition plan-related guidance published by the TCFD.
Policymakers use forward-looking plans to assess the objectives, proposed activities and related capital investment across the private sector is sufficient. One example of these forward-looking plans are the Climate Change Adaptation reporting requirements, which entities are invited to report on periodically, under the UK’s 2008 Climate Change Act. These reports can serve two purposes: (i) help engage Boards to actively consider the adaptation requirements of their entity and ensure they are responding strategically, and (ii) inform policymaking across the economy.

### 3.2.7 Accountability to wider society

Beyond regulators and shareholders, civil society organisations (CSOs) use transition plans to drive accountability across the private and public sector on climate action. CSOs environmental interests can cover a range of mission-driven organisations, including grassroot campaigners and activists, charities, think tanks, industry bodies and alliances. Separately, individual citizens are empowered to hold entities to account on their sustainability credentials, often going beyond carbon emissions and focussing on wider environmental issues such as product offerings or the circular economy. Such conditions can lead to a change in consumer preferences that may become financially material for corporations.

Societal stakeholders will look to transition plans to understand how an entity seeks to contribute to a global transition to a low-carbon economy. At the more granular level, CSOs are likely to be interested in similar data points as investors and other stakeholders. For example, they might use transition plans to evaluate progress against short-term targets, assess the levels of funding made available for the development of low-carbon solutions and understand an entity’s plans to develop new products and services. CSOs may further be particularly interested in the extent to which an entity considers the social implications of its transition, including the impact on its workforce, customers and other communities, and how an entity engages with public sector bodies on policy initiatives.