



TPT Transition Plan
Taskforce

The Transition Plan Taskforce Implementation Guidance:

TECHNICAL ANNEX

CONTENTS

Introduction	3
Section 1: Alignment with corporate reporting norms	4
Section 2: TCFD Recommendations and Transition Plan Guidance Technical Annex	6
Section 3: ISSB's Proposed IFRS S2 Exposure Draft Technical Annex	31

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 (8) in the FCA Handbook) in accordance with the guidance from the Task Force on Climate-related Financial Disclosures (TCFD). The recommendations of the TPT do not necessarily represent the views of individual taskforce members or their organisations.

Introduction

The TPT's recommendations directly build on the existing and emerging disclosure frameworks on climate and sustainability reporting, as provided by the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (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 TPT Disclosure Framework and Implementation Guidance should be considered as a jurisdictional building block to provide an additional layer of specificity for transition plan disclosures.

This technical annex includes the following mapping to different disclosure frameworks:

Section 1	Alignment of TPT disclosures with corporate reporting norms
Section 2	Alignment and additionality of the TPT Framework against the TCFD's Transition Plan Guidance.
Section 3	Alignment of the TPT Framework against the ISSB's S2 Exposure Draft.

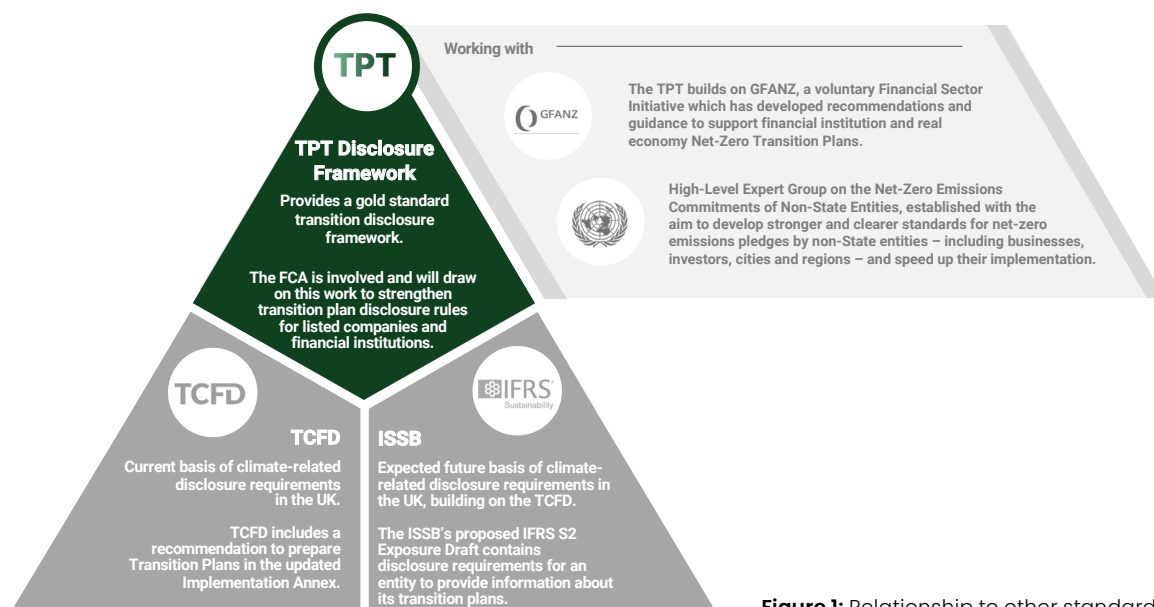


Figure 1: Relationship to other standards.

Once the TPT Disclosure Framework is finalised following the end of the consultation, the TPT expects to map the finalised Disclosure Framework to other relevant jurisdictional initiatives.

SECTION 1: ALIGNMENT WITH 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 S1 Exposure Draft on five key corporate reporting norms, and identifies implications for entities to consider in their transition plan disclosures. This list is non-exhaustive.

Table 1 Five key corporate reporting norms from TCFD and ISSB S1 and implications for transition plan disclosures

	TCFD	ISSB S1 Exposure Draft	Implication for transition plans
Reporting boundaries	No explicit guidance	<i>"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"</i> (ISSB IFRS S1 Par. 37)	To mirror the approach in the ISSB Exposure draft, an entity should take the same approach to the reporting boundary for its transition plan as it does for its wider corporate reporting.
Links between climate-related disclosures and financial statements	<i>"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 organization's future financial performance and position as reflected in its income statement, cash flow statement, and balance sheet."</i> (TCFD Guidance on Implementing the TCFD Recommendations, p. 9; see also TCFD Guidance on Metrics, Targets and Transition Plans, pp. 45–49).	<i>"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"</i> (ISSB IFRS S1 Par. 42)	To ensure alignment, an entity should explain how the implementation of its transition plan is expected to impact its financial planning, and reflect this in its financial statements. An entity should further seek to ensure that the information disclosed in the financial statement is disclosed on a similar reporting basis as the transition plan. For example, where an entity disaggregates its financial statements into operating segments, it should seek to carry that structure across to its transition plan to enable users to connect information between the transition plan disclosures and financial reporting.
Materiality for an entity's transition plan disclosure	<i>"Organizations should determine materiality for climate-related issues consistent with how they determine the materiality of other information included in their annual financial filings."</i> (TCFD Guidance on Implementing the TCFD Recommendations, p. 8)	<i>"Sustainability-related financial information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity."</i> (ISSB IFRS S1 Par. 56) (see also 57–62)	To maximise alignment, an entity should approach materiality in the same way in its transition plan, as it does within its general purpose financial reporting ² .

1) Note, the ISSB is reviewing the definition of materiality in its exposure drafts, including removing the term 'enterprise value'. The TPT will monitor these developments and reflect respective updates in future iterations of our guidance.

2) For guidance on how to assess materiality, reporting entities may find the IFRS Practice Statement 2 and Section 5 of the FRC Guidance on the Strategic Report helpful.

	TCFD	ISSB S1 Exposure Draft	Implication for Transition Plans
Incorporation of interdependent issues such as social impacts, nature and adaptation	<p>No explicit guidance</p>	<p><i>“An entity’s sustainability-related risks and opportunities arise from its [and its business partners’] dependencies on resources and its impacts on resources, and from the relationships it maintains that may be positively or negatively affected by those impacts and dependencies[...] When such impacts, dependencies and relationships create risks or opportunities for an entity, they can affect the entity’s performance or prospects, create or erode the value of the enterprise and the financial returns to providers of financial capital, and the assessment of enterprise value by the primary user”</i></p> <p>(ISSB IFRS S1 Par. 17)</p>	<p>To mirror the approach taken in the ISSB Exposure Draft, an entity should incorporate interdependencies with other sustainability-related issues, such as natural environment, workforce, supply-chains, communities or customers, into its transition plan, where they are likely to be material for the entity in the short, medium- or long-term.</p>
Treatment of uncertainty, estimates and assumptions	<p><i>“Organizations should also consider describing the assumptions, uncertainties, and key methodologies associated with their transition plans”</i></p> <p>(TCFD Guidance on Metrics, Targets and Transition Plans, p. 43)</p>	<p><i>“When metrics cannot be measured directly and can only be estimated, measurement uncertainty arises. The use of reasonable estimates is an essential part of preparing sustainability-related metrics and does not undermine the usefulness of the information if the estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an estimate from providing useful information. An entity shall identify metrics it has disclosed that have significant estimation uncertainty, disclosing the sources and nature of the estimation uncertainties and the factors affecting the uncertainties.”</i></p> <p>(ISSB IFRS, S1 Par.79)</p> <p><i>“An entity shall disclose information about the assumptions it makes about the future, and other sources of significant uncertainty, related to the information it discloses about the possible effects of sustainability-related risks or opportunities, when there is significant outcome uncertainty.”</i></p> <p>(ISSB IFRS S1, Par. 83)</p>	<p>Given the forward-looking nature of transition plans, use of estimates and uncertainties is an essential part of preparing transition plan disclosures.</p> <p>To maximise alignment with broader sustainability-related reporting norms, an entity should use estimates where metrics cannot be measured directly, but should clearly describe and explain the estimates it has used. An entity should seek to proactively disclose the uncertainty, assumptions, dependencies, estimates and methodologies contained within its transition plan.</p>

SECTION 2: TCFD RECOMMENDATIONS AND TRANSITION PLAN GUIDANCE TECHNICAL ANNEX

This section summarises the key areas of alignment and additionality between the recommendations proposed in the TPT's Disclosure Framework and the TCFD's recommendations, recommended disclosures and guidance.

The TCFD consists of 11 high-level disclosure recommendations across four pillars: Governance, Strategy, Risk Management, and Metrics and Targets. The TPT's Disclosure Framework interconnects with Governance, Strategy, and Metrics and Targets.

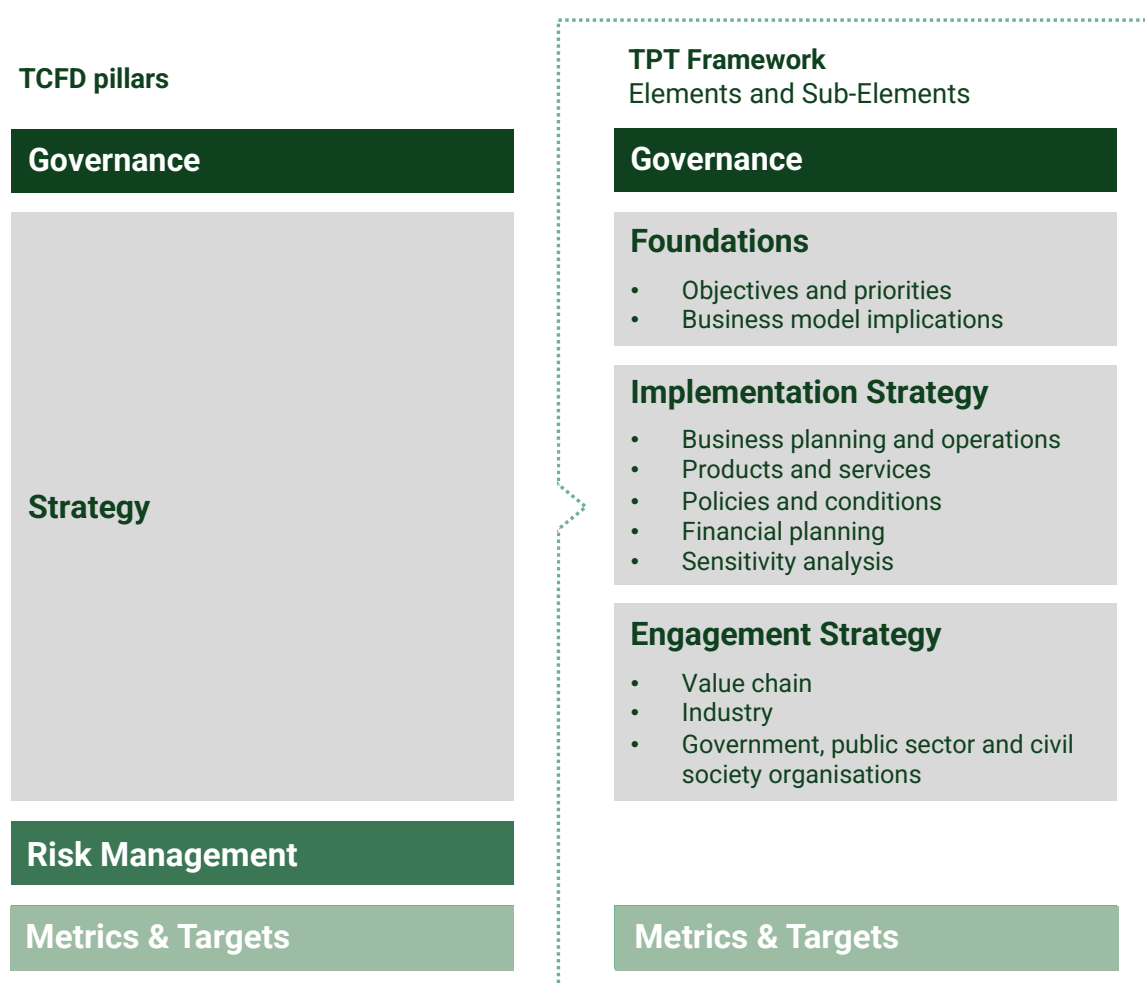


Figure 2: Mapping the TCFD pillars to the TPT Disclosure Framework (adapted from GFANZ 2022)³

For each Sub-Element of the TPT Disclosure Framework, the below table summarises:

- Relevant excerpts from the TCFD's 11 disclosures recommendations for All Sectors (as outlined in the Implementing Guidance).
- Relevant elements of a transition plan as proposed in the TCFD's Transition Plan Guidance (Table E1) or other relevant references (as outlined in the Guidance on Metrics, Targets and Transition Plans).
- Additionality of the TPT Disclosure Framework to the disclosure recommendations and TCFD proposed transition plan element excerpts.

³) Expectations for Real-economy Transition Plans, September 2022, p. 56

1. Foundations

Sub-Element

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.

Disclosure recommendation

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.

	Relevant excerpts from TCFD Recommendations	TPT additionality to TCFD Recommendations and Transition Plan Guidance
TCFD Recommendations and Transition Plan guidance excerpts and TPT additionality	<p>TCFD Recommendations:</p> <p>Strategy (b) ‘Organizations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition’</p> <p>TCFD Transition Plan Guidance:</p> <p>Alignment with strategy: The organization aligns its transition plan with its overall strategy; and the transition plan describes the following:</p> <ul style="list-style-type: none"> – Activities – how the organization will achieve targets in defined time horizons – Temperature goal – alignment to a global temperature goal (e.g., 1.5°C), relevant regulatory mandates, and/or sectoral decarbonization strategies <p>Description of risks: The transition plan describes the risks that the organization faces from a transition to a low-carbon economy</p> <p>Targets: The transition plan includes quantitative and qualitative targets based on sound climate science. For GHG emissions targets, the plan indicates the type and scope of GHG emissions included as well as the extent of GHG emissions across territories, timeframes, or activities.</p>	<p>The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:</p> <ul style="list-style-type: none"> • 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.

Sub-Element

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

Summarise how the entity's objectives, priorities, interim targets and milestones objectives and priorities and interim goals milestones outlined under **1.1 Objectives and Priorities** will be embedded in the entity's business strategy. This should include:

- An overview of the key implications of the transition plan for the entity's business model, including implications for products and services, acquisitions or divestments, any high-level implications for resource allocation and operational and capital expenditure, and the timeframe over which key actions will be taken.
- A summary assessment of the entity's material 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 arising from the objectives and priorities outlined under **1.1 Objectives and priorities**.

A summary description of steps that the entity is taking, or planning to take, to mitigate these significant risks or leverage opportunities for the natural environment and stakeholders such as the workforce, supply chains, communities or customers.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan guidance excerpts and TPT additionality

TCFD Recommendations:

Strategy (b) '[...] Organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning.

Organizations should consider including the impact on their businesses, strategy, and financial planning in the following areas:

- Acquisition or divestments'

TCFD Transition Plan Guidance:

Prioritized opportunities: The transition plan describes how the organization intends to maximize its prioritized climate opportunities as the world transitions to a low-carbon economy

Description of risks: The transition plan describes the risks that the organization faces from a transition to a low-carbon economy

Plan challenges and uncertainties: The transition plan describes the assumptions, uncertainties, and challenges the organization faces in successfully executing its transition plan.

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 an entity's workforce, suppliers, impacted communities, and customers.

2. Implementation Strategy

Sub-Element

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.

Disclosure recommendation

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 horizons. 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.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Recommendations:

Strategy (b) '[...] Organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning.

Organizations should consider including the impact on their businesses, strategy, and financial planning in the following areas:

- Operations (including types of operations and location of facilities)'

TCFD Transition Plan Guidance:

Action plans: The transition plan outlines short-term and medium-term tactical and operational plans and describes how related actions address material sources of GHG emissions. The plan includes current and planned initiatives to reduce climate-related risks and increase climate-related opportunities.

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 organisation'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.

Sub-Element

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.

Disclosure recommendation

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.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Recommendations:

Strategy (b) '[...] Organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning.

Organizations should consider including the impact on their businesses, strategy, and financial planning in the following areas:

- Products and services'

TCFD Transition Plan Guidance:

N/A

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

Sub-Element

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

Disclose internal policies and conditions that are used to guide business, financial, and operational planning, and actions. This may include policies related to:

- 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**.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Transition Plan Guidance:

N/A

TCFD Transition Plan Guidance:

N/A

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.

Sub-Element

2.4 Financial planning

Describe the financial implications of the planned changes to the entity's business strategy, resource allocation and products and services arising from its transition plan, including relevant financial plans, investment and funding plans, where possible.⁴

Disclosure recommendation

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.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Recommendations:

Strategy (b) '[...] Organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning.

Organizations should consider including the impact on their businesses, strategy, and financial planning in the following areas:

- Investment in research and development
- Access to capital

Organizations should describe the impact of climate-related issues on their financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities).'

Metrics and Targets (a) 'Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a low-carbon economy.'

TCFD Transition Plan Guidance:

Financial plans: The transition plan describes the supporting financial plans, budgets, and related financial targets (e.g., amount of capital and other expenditures supporting decarbonization strategy).

'When an organization develops a transition plan, it may estimate the potential financial impact of planned actions and align its financial plans accordingly'

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.

4) 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.

Sub-Element

2.5 Sensitivity analysis

Disclose 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.

Disclosure recommendation

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.

Relevant excerpts from TCFD Recommendations**TPT additionality to TCFD Recommendations and Transition Plan Guidance**

TCFD Recommendations and Transition Plan guidance excerpts and TPT additionality

TCFD Transition Plan Guidance:

Strategy (c) 'Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks.

Organisations should consider discussing:

- The potential impact of climate-related issues on financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities)'

TCFD Transition Plan Guidance:

Plan assumptions: The transition plan describes the organization's assumptions, particularly around transition pathway uncertainties and implementation challenges. The assumptions should be consistent with those used by the organization in its financial accounts, capital expenditures, and investment decisions

Scenario analysis: The organization tests achievability of the transition plan and associated targets using multiple climate-related scenarios.

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.

The TPT's proposed sensitivity analysis is then a separate activity, to be performed once the transition plan has been further developed. The TPT recommend performing sensitivity analysis in Stage 3 of the transition planning process – 'Financial planning and sensitivity analysis'.

Sensitivity analysis is aimed at understanding the key assumptions underlying an entity's transition plan and the impact that fulfilling the assumptions may have on the plan (including potential impact to the plan if the assumptions are not realised). These assumptions could be impacted by the rate of the economy-wide transition; impacting grid decarbonisation, demand drivers, development of technologies, and financial implications from the physical impacts of the changing climate.

The TPT recommends that an entity discloses the impact on its ability to achieve its objectives, priorities and interim milestones if these assumptions prove incorrect.

3. Engagement Strategy

Sub-Element

3.1 Engagement with value chain

Disclose current and planned engagement activities with companies and customers in the entity's value chain or portfolio to provide support and feedback, and to influence behavioural and business model changes aligned with the entity's strategic ambition and stated objectives and priorities.

Disclosure recommendation

Disclose current and planned engagement and 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**.

Foundations.

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

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Recommendations:

Strategy (b) '[...] Organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning.

Organizations should consider including the impact on their businesses, strategy, and financial planning in the following areas:

- Supply chain and/or value chain'

TCFD Transition Plan Guidance:

N/A

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, which are aligned with an entity's strategic ambition and stated objectives and priorities.

Sub-Element

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 experience and address common challenges in support of the entity's strategic ambition and stated objectives, priorities and interim milestones.

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 organisation(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**.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Transition Plan Guidance:

N/A

TCFD Transition Plan Guidance:

N/A

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

Sub-Element

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.

Disclosure recommendation

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**.

	Relevant excerpts from TCFD Recommendations	TPT additionality to TCFD Recommendations and Transition Plan Guidance
TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality	<p>TCFD Recommendations:</p> <p>N/A</p> <p>TCFD Recommendations:</p> <p>N/A</p>	<p>All aspects of this Sub-Element of the TPT Disclosure Framework provide further granularity beyond the TCFD recommendations and guidance on transition plans</p>

4. Metrics & Targets

Sub-Element

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

Disclose the governance, business and operational metrics and targets that the entity is using to set their ambition and monitor progress of their transition plan, outlining 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**.

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.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Transition Plan Guidance:

Metrics and Targets (a) 'Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities, as described in Tables A1.1 and A1.2 (pp. 75–76), as well as metrics consistent with the cross-industry, climate-related metric categories described in Table A2.1 (p. 79). Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable.'

Metrics and Targets (c) 'Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with the cross-industry, climate-related metric categories in Table A2.1 (p. 79), where relevant, and in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy. In describing their targets, organizations should consider including the following:

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

	Relevant excerpts from TCFD Recommendations	TPT additionality to TCFD Recommendations and Transition Plan Guidance
TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality	<ul style="list-style-type: none"> - whether the target is absolute or intensity based; - time frames over which the target applies; - base year from which progress is measured; and - key performance indicators used to assess progress against targets. <p>Organizations disclosing medium-term or long-term targets should also disclose associated interim targets in aggregate or by business line, where available.</p> <p>Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.'</p> <p>TCFD Transition Plan Guidance:</p> <p>Metrics: The transition plan describes metrics the organization will monitor to track progress against plans and targets, including related operational and financial performance metrics, metrics aligned with the cross-industry, climate-related metric categories, and industry-specific or organization specific metrics.</p> <p>Targets: The transition plan includes quantitative and qualitative targets based on sound climate science. For GHG emissions targets, the plan indicates the type and scope of GHG emissions included as well as the extent of GHG emissions across territories, timeframes, or activities.</p> <p>Dates: The transition plan specifies the dates when targets are intended to be reached and includes targets during the plan's time horizon (e.g., a timetable for the plan's roadmap).</p> <p>Methodology: Metrics and targets in a transition plan are based on widely recognized and transparent methodologies.</p>	<ul style="list-style-type: none"> • 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).

Sub-Element

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**.

For each target, 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.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Recommendations:

Metrics and Targets (a) ‘Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities’

‘Table A1.3 (p. 77) provides [...] examples of how organizations could be affected by climate-related financial impacts’.

Metrics and Targets (c) ‘Organizations should describe their key climate-related targets. [...] Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy. In describing their targets, organizations should consider including the following:

- whether the target is absolute or intensity based;
- time frames over which the target applies;
- base year from which progress is measured; and
- key performance indicators used to assess progress against targets.

Organizations disclosing medium-term or long-term targets should also disclose associated interim targets in aggregate or by business line, where available.

Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.’

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;
 - 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).

	Relevant excerpts from TCFD Recommendations	TPT additionality to TCFD Recommendations and Transition Plan Guidance
TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality	<p>TCFD Transition Plan Guidance:</p> <p>Financial plans: The transition plan describes the supporting financial plans, budgets, and related financial targets (e.g., amount of capital and other expenditures supporting decarbonization strategy).</p> <p>Metrics: The transition plan describes metrics the organization will monitor to track progress against plans and targets, including related operational and financial performance metrics, metrics aligned with the cross-industry, climate-related metric categories, and industry-specific or organization specific metrics.</p> <p>Targets: The transition plan includes quantitative and qualitative targets based on sound climate science. For GHG emissions targets, the plan indicates the type and scope of GHG emissions included as well as the extent of GHG emissions across territories, timeframes, or activities.</p> <p>Dates: The transition plan specifies the dates when targets are intended to be reached and includes targets during the plan's time horizon (e.g., a timetable for the plan's roadmap).</p> <p>Methodology: Metrics and targets in a transition plan are based on widely recognized and transparent methodologies.</p>	

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.

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 Scope 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 Scope 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 Scope 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;
- 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.

	Relevant excerpts from TCFD Recommendations	TPT additionality to TCFD Recommendations and Transition Plan Guidance
TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality	<p>TCFD Recommendations:</p> <p>Metrics and Targets (b) ‘Organizations should provide their Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if appropriate, Scope 3 GHG emissions and the related risks. All organizations should consider disclosing Scope 3 GHG emissions.</p> <p>GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions. As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios.</p> <p>GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics.’</p> <p>Metrics and Targets (c) ‘Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with the cross-industry, climate-related metric categories in Table A2.1 (p. 79), where relevant, and in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy. In describing their targets, organizations should consider including the following:</p> <ul style="list-style-type: none"> - whether the target is absolute or intensity based; - time frames over which the target applies; - base year from which progress is measured; and - key performance indicators used to assess progress against targets. <p>Organizations disclosing medium-term or long-term targets should also disclose associated interim targets in aggregate or by business line, where available.</p> <p>Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.’</p> <p>TCFD Transition Plan Guidance:</p> <p>Metrics: The transition plan describes metrics the organization will monitor to track progress against plans and targets, including related operational and financial performance metrics, metrics aligned with the cross-industry, climate-related metric categories, and industry-specific or organization specific metrics.</p>	<p>The TPT Disclosure Framework recommends further detail beyond the TCFD recommendations and guidance by proposing the following disclosure recommendations:</p> <ul style="list-style-type: none"> • Specifying the reason for excluding Scope 3 categories from GHG emissions and metrics and targets, and steps that the 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 agreement and any national target and strategy on climate change. • Specifying additional disclosure criteria: <ul style="list-style-type: none"> • 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).

<p>Targets: The transition plan includes quantitative and qualitative targets based on sound climate science. For GHG emissions targets, the plan indicates the type and scope of GHG emissions included as well as the extent of GHG emissions across territories, timeframes, or activities.</p> <p>Dates: The transition plan specifies the dates when targets are intended to be reached and includes targets during the plan’s time horizon (e.g., a timetable for the plan’s roadmap).</p> <p>Methodology: Metrics and targets in a transition plan are based on widely recognized and transparent methodologies.</p> <p>GHG emissions reductions: The transition plan addresses the relative contribution of reductions, removals, and offsets for achieving GHG emissions targets.</p>	

Sub-Element

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

Disclosure recommendation

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 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.

Relevant excerpts from TCFD Recommendations**TPT additionality to TCFD Recommendations and Transition Plan Guidance**

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Transition Plan Guidance:

N/A

TCFD Transition Plan Guidance:

GHG emissions reductions: The transition plan addresses the relative contribution of reductions, removals, and offsets for achieving GHG emissions targets.

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.

5. Governance

Sub-Element

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.

Disclosure recommendation

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.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Recommendations:

Governance (a) 'In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following:

- processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues;
- whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures; and
- how the board monitors and oversees progress against goals and targets for addressing climate-related issues.'

TCFD Transition Plan Guidance:

Approval: The board or appropriate committee of the board approves the transition plan and climate-related targets.

Oversight: The board or appropriate committee of the board oversees execution of the transition plan.

Reporting: The board or appropriate committee of the board and senior management receive regular status reports.

Review: The organization periodically reviews and updates its plans, activities, metrics, and targets.

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.

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.

Describe senior management's roles and responsibilities for the execution of the transition plan, as well as the entity's wider control, review and accountability mechanisms. This should include:

- 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.

Relevant excerpts from TCFD Recommendations

TPT additionality to TCFD Recommendations and Transition Plan Guidance

TCFD Recommendations:

Governance (b) 'In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information:

- whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues;'

TCFD Transition Plan Guidance:

Accountability: Senior management has responsibility for execution of the transition plan, and the responsible parties have adequate authority and access to resources to ensure effective execution.

Assurance: The organization's reporting is subject to independent review or third-party assurance.

Review: The organization periodically reviews and updates its plans, activities, metrics, and targets.

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.

Sub-Element

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

Disclosure recommendation

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.

	Relevant excerpts from TCFD Recommendations	TPT additionality to TCFD Recommendations and Transition Plan Guidance
TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality	<p>TCFD Recommendations:</p> <p>N/A</p> <p>TCFD Transition Plan Guidance:</p> <p>N/A</p>	<p>All aspects of this Sub-Element of the TPT Disclosure Framework provide further granularity beyond the TCFD recommendations and guidance on transition plans.</p>



Sub-Element

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.

Disclosure recommendation

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:
 - the percentage of executive management remuneration that is linked to transition-plan related considerations; and
 - key transition plan-related performance indicators used.

Relevant excerpts from TCFD Recommendations**TPT additionality to TCFD Recommendations and Transition Plan Guidance**

TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality

TCFD Recommendations:

Metrics and Targets (a) 'Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies.'

TCFD Transition Plan Guidance:

Incentives: Remuneration and other incentives are aligned with the organization's climate goals, as described in the transition plan.

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.

Sub-Element

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.

	Relevant excerpts from TCFD Recommendations	TPT additionality to TCFD Recommendations and Transition Plan Guidance
TCFD Recommendations and Transition Plan Guidance excerpts and TPT additionality	<p>TCFD Transition Plan Guidance:</p> <p>N/A</p> <p>TCFD Transition Plan Guidance:</p> <p>N/A</p>	<p>All aspects of this Sub-Element of the TPT Disclosure Framework provide further granularity beyond the TCFD's recommendations and guidance on transition plans.</p>

SECTION 3: ISSB'S PROPOSED IFRS S2 EXPOSURE DRAFT TECHNICAL ANNEX

The International Sustainability Standards Board (ISSB) are expected to form the future basis of climate-related disclosure requirements in the UK, building on the TCFD. The ISSB are developing a global reporting baseline which, like the TCFD, contains disclosure requirements for an entity to provide information about its transition plans.

To support entities who are beginning to plan their alignment to ISSB reporting in future periods, the TPT have completed a mapping assessment against the ISSB's proposed IFRS S2 Exposure Draft to outline the excerpts of the standard which are relevant to transition plan reporting and the additional disclosure recommendations of the TPT's Disclosure Framework.

The TPT expects to update this technical annex in 2023, on completion of the finalised Disclosure Framework and following the publication of the finalised ISSB's IFRS S2 Standard.



1. Foundations

Sub-Element

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.

Disclosure recommendation

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.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

7 'The objective of climate-related financial disclosures on strategy is to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant climate-related risks and opportunities'

and

8 'to achieve this objective, an entity shall disclose information about:

(c) 'the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans (see paragraph 13);'

and

21 'An entity shall disclose its climate-related targets.

21 (i) any milestones or interim targets.'

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that interim targets are defined as 5–10 years from when the target is set.
- Suggesting that an entity considers objectives 'for responding and contributing to an early and orderly whole-of-economy transition', which may be beyond the proposed objective of the S2 Exposure Draft.
- Suggesting that an entity discloses any trade-offs that it has identified in setting its objectives and priorities.

Sub-Element

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

Summarise how the objectives, priorities, interim targets and milestones outlined under **1.1 Objectives and priorities** will be embedded in the entity's business strategy. This should include:

- An overview of the key implications of the transition plan for the entity's business model, including implications for products and services, acquisitions or divestments, any high-level implications for resource allocation and operational and capital expenditure, and the timeframe over which key actions will be taken.
- A summary assessment of the entity's material 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 arising from the objectives and priorities outlined under **1.1 Objectives and priorities**.

A summary description of steps that the entity is taking, or planning to take, to mitigate these significant risks or leverage opportunities for the natural environment and stakeholders such as the workforce, supply chains, communities or customers.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

13 (a)(i) 'How it is responding to significant climate-related risks and opportunities including how it plans to achieve any climate-related targets it has set. This shall include: (i) information about current and anticipated changes to its business model, including: (1) about changes the entity is making in strategy and resource allocation'

Broadly aligned with the ISSB and no significant additionality to the S2 Exposure Drafts.

2. Implementation Strategy

Sub-Element

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.

Disclosure recommendation

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 horizons. 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.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

13 (a)(i) 'information about current and anticipated changes to its business model, including: (i) changes include resource allocations resulting from demand or supply changes, or from new business lines; resource allocations arising from business development through capital expenditures or additional expenditure on operations or research and development; and acquisitions and divestments. This information includes 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.

(ii) how these plans will be resourced'

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that an entity quantifies and discloses the contribution of each business and operational action towards achieving the transition plan's objectives and priorities
- Suggesting that an entity considers actions that are planned for the short-, medium- and long-term, supported by a change management plan
- Suggesting that an entity explains if short-term planning horizons exceed three years

Sub-Element

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.

Disclosure recommendation

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.

IFRS S2 Exposure Draft excerpts and TPT additionality

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

13 (a)(i)(2) ‘Information about direct adaptation and mitigation efforts it is undertaking (for example, through changes in ...product specifications)’

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that an entity considers specific disclosures about changes to an entity’s portfolio of products and services
- Suggesting that an entity considers quantifying the impact of the plans with reference to GHG reduction targets and other transition objectives and priorities

Sub-Element

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

Disclose internal policies and conditions that are used to guide business, financial, and operational planning, and actions. This may include policies related to:

- 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 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**.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

13 (a)(i)(l) 'This information includes 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'(ii) how these plans will be resourced'

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that an entity considers policies which are focussed on specific topics and sectors, instead of focussing on specific assets

Sub-Element

2.4 Financial planning

Describe the financial implications of the planned changes to the entity's business strategy, resource allocation and products and services arising from its transition plan, including relevant financial plans, investment and funding plans, where possible⁵.

Disclosure recommendation

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 investment 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

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

14 'An entity shall disclose information that enables users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning.

(a) how significant climate-related risks and opportunities have affected its most recently reported financial position, financial performance and cash flows;

(c) how it expects its financial position to change over time, given its strategy to address significant climate-related risks and opportunities, reflecting: (i) its current and committed investment plans and their anticipated effects on its financial position (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements); (ii) its planned sources of funding to implement its strategy;

(d) how it expects its financial performance to change over time, given its strategy to address significant climate-related risks and opportunities (for example, increased revenue from or costs of products and services aligned with a lower-carbon economy'

Broadly aligned with the ISSB and no significant additionality from the S2 Exposure Drafts.

⁵ This Sub-Element should be regarded a 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 an 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, an entity should disclose the financial metrics and targets that it is using to assess progress and delivery of the plan over time.

and	
21 (f) 'An entity shall disclose information relevant to the cross-industry metric categories of internal carbon prices: (i) the price for each metric tonne of greenhouse gas emissions that the entity uses to assess the costs of its emissions; (ii) an explanation of how the entity is applying the carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis)'	

Sub-Element

2.5 Sensitivity analysis

Disclose 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.

Disclosure recommendation

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.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

13 (a)(i)(1) 'information about current and anticipated changes to its business model, including: [...] plans and critical assumptions for legacy assets'

15 (b)(i)(8) 'assumptions about the way the transition to a lower-carbon economy will affect the entity, including policy assumptions for the jurisdictions in which the entity operates; assumptions about macroeconomic trends; energy usage and mix; and technology.'

15.b.i.7. the inputs used in the analysis, including—but not limited to—the scope of risks (...), the scope of operations covered (for example, the operating locations used), and details of the assumptions (for example, geospatial coordinates specific to entity locations or national- or regional-level broad assumptions)'

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that an entity considers performing sensitivity analysis on the proposed transition plan, to assess the plan's resilience at an asset- or product/ service-level
- Suggesting that an entity considers disclosing how those assumptions are incorporated into financial statements

3. Engagement Strategy

Sub-Element

3.1 Engagement with value chain

Disclose current and planned engagement activities with companies and customers in the entity’s value chain or portfolio to provide support and feedback, and to influence behavioural and business model changes aligned with the entity’s strategic ambition and stated objectives and priorities.

Disclosure recommendation

Disclose current and planned engagement and 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**.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

13 (b) ‘information regarding climate-related targets for these plans including: (ii) the amount of the entity’s emission target to be achieved through emission reductions within the entity’s value chain’

13 (a)(i)(3) ‘Information about indirect adaptation and mitigation efforts it is undertaking (for example, by working with customers and supply chains or use of procurement).’

The TPT Disclosure Framework is fully additional to the ISSB’s draft requirements.

- Suggesting that an entity considers disclosing specific engagement activities across the value-chain and disclose the expected impacts of these activities

Sub-Element

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 experience and address common challenges in support of the entity’s strategic ambition and stated objectives, priorities and interim milestones.

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 organisation(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**.

IFRS S2 Exposure Draft excerpts and TPT additionality

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

N/A

The TPT Disclosure Framework is fully additional to the ISSB’s draft requirements.

Sub-Element

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.

Disclosure recommendation

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**.

IFRS S2 Exposure Draft excerpts and TPT additionality

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

N/A

The TPT Disclosure Framework is fully additional to the ISSB’s draft requirements.

4. Metrics & Targets

Sub-Element

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

Disclose the governance, business and operational metrics and targets that the entity is using to set their ambition and monitor progress of their transition plan, outlining 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**.

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.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

20 (c) 'other metrics used by the board or management to measure progress towards the targets identified in paragraph 20(d); and

20.d. targets set by the entity to mitigate or adapt to climate-related risks or maximise climate-related opportunities.'

21 (d) 'climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities'

and

23 'An entity shall disclose its climate-related targets. For each climate-related target, an entity shall disclose:

(a) metrics used to assess progress towards reaching the target and achieving its strategic goals;

(c) whether this target is an absolute target or an intensity target;

(d) the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives);

(g) the period over which the target applies;

(h) the base period from which progress is measured; and

(i) any milestones or interim targets.'

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that an entity considers disclosing metrics specifically relating to governance, business and operations to monitor progress of the transition plan delivery
- Suggesting that an entity considers disclosing the extent to which these metrics rely on measured vs. estimated data

Sub-Element

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**.

For each target, 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.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

21 (e) ‘capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities’

and

23 ‘An entity shall disclose its climate-related targets. For each climate-related target, an entity shall disclose:

- (a) metrics used to assess progress towards reaching the target and achieving its strategic goals;
- (c) whether this target is an absolute target or an intensity target;
- (d) the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives);
- (g) the period over which the target applies;
- (h) the base period from which progress is measured; and
- (i) any milestones or interim targets.’

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that an entity considers disclosing a broader range of financial metrics beyond capital deployment, as suggested in the Implementation Guidance

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.

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 Scope 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 Scope 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 Scope 3; and
- any additional GHG emissions targets that the entity has set (e.g., methane reduction targets).

For each of the targets above, an 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.

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.

	Relevant excerpts from IFRS S2 Exposure Draft	TPT additionality to IFRS S2 Exposure Draft
IFRS S2 Exposure Draft excerpts and TPT additionality	<p>21 'An entity shall disclose information relevant to the cross-industry metric categories of: (a) greenhouse gas emissions—the entity shall disclose:</p> <p>(i) its absolute gross greenhouse gas emissions generated during the reporting period, measured in accordance with the Greenhouse Gas Protocol Corporate Standard, expressed as metric tonnes of CO₂ equivalent, classified as:</p> <p>(1) Scope 1 emissions;</p> <p>(2) Scope 2 emissions;</p> <p>(3) Scope 3 emissions;</p> <p>(ii) its greenhouse gas emissions intensity for each scope in paragraph 21(a)(i)(1)–(3), expressed as metric tonnes of CO₂ equivalent per unit of physical or economic output;</p> <p>(v) the reason, or reasons, for the entity's choice of approach in paragraph 21(a)(iv) and how that relates to the disclosure objective in paragraph 19;</p> <p>(vi) for Scope 3 emissions disclosed in accordance with paragraph 21(a)(i)(3):</p> <p>(1) an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;</p> <p>(2) an entity shall disclose the categories included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;</p> <p>(3) when the entity's measure of Scope 3 emissions includes information provided by entities in its value chain, it shall explain the basis for that measurement;</p> <p>(4) if the entity excludes those greenhouse gas emissions in paragraph 21(a)(vi)(3), it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure;</p>	<p>The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:</p> <ul style="list-style-type: none"> • Suggesting that an entity considers disclosing the extent to which GHG emission metrics rely on measured vs. estimated data. • Where an entity excludes certain GHG emissions from its metrics and targets, an entity should consider disclosing the steps it is taking to improve monitoring and reporting systems and enable target setting for relevant Scope 3 emission categories.

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 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.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

13 (b) 'information regarding climate-related targets for these plans including:

(iii) the intended use of carbon offsets in achieving emissions targets. In explaining the intended use of carbon offsets the entity shall disclose information including:

(i) the extent to which the targets rely on the use of carbon offsets;

(2) whether the offsets will be subject to a third-party offset verification or certification scheme (certified carbon offset), and if so, which scheme, or schemes;

(3) the type of carbon offset, including whether the offset will be nature-based or based on technological carbon removals and whether the amount intended to be achieved is through carbon removal or emission avoidance; and

(4) any other significant factors necessary for users to understand the credibility and integrity of offsets intended to be used by the entity (for example, assumptions regarding the permanence of the carbon offset).

Note, the ISSB is reviewing the use of the term 'carbon offsets' in its exposure drafts and are considering replacing with 'carbon credits' in its finalised standard

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that an entity considers disclosing why its employing carbon credits
- Suggesting that an entity considers disclosing the number and cost of credits purchased and retired

5. Governance

Sub-Element

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.

Disclosure recommendation

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.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

5. 'Specifically, an entity shall disclose:

(a) the identity of the body or individual within a body responsible for oversight of climate-related risks and opportunities;

(b) how the body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies;

(d) how and how often the body and its committees (audit, risk or other committees) are informed about climate-related risks and opportunities;

(e) how the body and its committees consider climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required;

(f) how the body and its committees oversee the setting of targets related to significant climate-related risks and opportunities, and monitor progress towards them (see paragraphs 23–24), including whether and how related performance metrics are included in remuneration policies (see paragraph 21(g))'

and

13.b.i. 'information regarding climate-related targets for these plans including: (i) the processes in place for review of the targets'

Broadly aligned with the ISSB and no significant additionality from the S2 Exposure Drafts.

Sub-Element

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.

Disclosure recommendation

Describe senior management's roles and responsibilities for the execution of the transition plan, as well as the entity's wider control, review and accountability mechanisms. This should include:

- 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.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

5 (g) 'a description of management's role in assessing and managing climate-related risks and opportunities, including whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee. The description shall include information about whether dedicated controls and procedures are applied to management of climate-related risks and opportunities and, if so, how they are integrated with other internal functions'

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that an entity considers disclosing how relevant corporate procedures, systems and decision-making processes have been amended to support delivery of the plan.
- Suggesting that an entity considers disclosing whether the transition plan is subject to shareholder approval
- Suggesting that an entity considers disclosing which aspects of the transition plan are subject to external assurance, including the nature of the assurance

Sub-Element

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

Disclosure recommendation

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.

IFRS S2 Exposure Draft excerpts and TPT additionality

Relevant excerpts from IFRS S2 Exposure Draft

N/A

TPT additionality to IFRS S2 Exposure Draft

The TPT Disclosure Framework is fully additional to the ISSB’s draft requirements.

Sub-Element

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.

Disclosure recommendation

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:
 - the percentage of executive management remuneration that is linked to transition-plan related considerations; and
 - key transition plan-related performance indicators used.

Relevant excerpts from IFRS S2 Exposure Draft

TPT additionality to IFRS S2 Exposure Draft

IFRS S2 Exposure Draft excerpts and TPT additionality

20 'To achieve this objective, an entity shall disclose: (c) other metrics used by the board or management to measure progress towards the targets [...]'

and

21 (g) 'An entity shall disclose information relevant to the cross-industry metric categories of: [...] remuneration:

(i) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations; and (ii) a description of how climate-related considerations are factored into executive remuneration (also see paragraph 5(f))'

Broadly aligned with the ISSB and no significant additionality from the S2 Exposure Drafts.

Sub-Element

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.

IFRS S2 Exposure Draft excerpts and TPT additionality

Relevant excerpts from IFRS S2 Exposure Draft

5 (c) ‘how the body ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks and opportunities’

TPT additionality to IFRS S2 Exposure Draft

The TPT Disclosure Framework recommends further detail, building on the IFRS S2 Exposure Draft, by proposing the following disclosure recommendations:

- Suggesting that an entity considers disclosing how it will ensure that it has the appropriate skills, competencies and knowledge across the organisation to deliver the transition plan.



CONTACT US

secretariat@transitiontaskforce.net

transitiontaskforce.net