

TRANSITION PLAN TASKFORCE

Terms of reference

Purpose

The Transition Plan Taskforce will establish best practice for firm-level transition plans and develop guidance and a set of templates setting out both generic and sector-specific disclosures and metrics. By establishing robust criteria and expectations for science-based transition plans, this work should inform the implementation of the UK's Sustainability Disclosure Requirements and influence international standard setting, thereby supporting the UK to be the world's first net zero-aligned financial centre.

Background

Sustainability Disclosure Requirements

The Chancellor announced new Sustainability Disclosure Requirements (SDR) at his Mansion House speech in July 2021. In October 2021, the UK Government published a Roadmap for delivering Phase 1 ('Informing investors and consumers') of the UK's strategy to green the financial system, including further detail on SDR.

SDR will introduce requirements for decision-useful disclosures on sustainability across the economy. It will, for the first time, bring together existing sustainability-related disclosure requirements under one cohesive framework and go further with new requirements that will build on leading global standards and good practice.

SDR will introduce requirements for all relevant sectors of the economy that will enable a co-ordinated approach to sectoral regulation. This should ensure a clear and direct link from investors, through the financial system to the businesses they invest in and their relationship with the environment. Metrics will be scientific and objective, and drawn from international standards, where they exist, to support international compatibility.

SDR will require disclosures on transition plans. Initially, certain firms will be required to publish transition plans that take into account the government's net-zero commitment or provide an explanation if they have not done so. As standards for transition plans mature, the government and regulators will move towards making it mandatory for firms to publish their transition plans, and at COP26 the Chancellor committed to making this a requirement for certain financial sector firms and listed companies by 2023. This will encourage consistency and comparability in published plans and support more widespread adoption.

Transition plans

An increasing number of organisations are making commitments to reach net zero emissions. Credible and appropriately detailed organisational transition plans that are integrated with other disclosures and incorporate short-term milestones and targets, can enable real-economy firms to plan their operations and support markets in monitoring progress.

Transition plans are also essential for the effective exercise of market discipline, and investors' ability to hold investee company boards and management to account. The government therefore expects to see the publication of firm-level transition plans become the norm across the UK economy.

While there is not yet a commonly agreed standard or 'template' for what a good quality transition plan looks like, this is rapidly changing. The Taskforce on Climate-related Financial Disclosures (TCFD) has finalised guidance on transition plans, and investor groups such as Climate Action 100+ and the Institutional Investors Group on Climate Change (IIGCC) have undertaken relevant work. The Glasgow Financial Alliance for Net Zero (GFANZ) is also working to develop best practice principles for financial sector transition strategies that are applicable across financial sub-sectors and jurisdictions.

Transition Plan Taskforce

A new high-level Transition Plan Taskforce (TPT) will have a two-year mandate to bring together the best of British industry and academia with regulators and the third sector to develop good practice for transition plans and associated cutting edge metrics, co-ordinating with international efforts. TPT will initially report by the end of 2022. The FCA will be formally involved and will have regard to its findings. Other interested financial regulators will be invited as observers.

The TPT will set a robust standard and help to tackle greenwashing. E3G and the UK Centre for Greening Finance and Investment (CGFI) will act as the Secretariat, with funding provided by philanthropy.

The TPT will take forward work to develop transition planning templates that would be suitable for incorporation into regulatory frameworks in the UK.

The TPT will work to develop appropriately detailed sectoral transition plan templates, alongside associated guidance on metrics and targets (and also consider the wider ecosystem e.g. third-party verification), drawing from the body of existing work, including the TCFD recommendations. It will provide guidance for real economy sectors and financial services sub-sectors.

While the TPT's work will focus on providing recommendations to UK regulatory processes, it will also aim to provide a leading example for the development of other jurisdictions' national standards and for the development of international standards and norms. The UK's expectations for transition plans will have an impact on companies around the world, given the UK's standing as a listing

location for international companies and a hub for financial services firms managing investments from around the world.

- International efforts where TPT will seek to inform and align include: GFANZ, ISSB, TCFD, and International Organisation of Securities Commissions (IOSCO).
- The TPT will also seek to maintain good working relationships with other jurisdictional efforts including the European Commission and US SEC together with any others which show an interest in developing transition plan requirements.

Structure

- **Steering Group:** High-level oversight of the work involving a small number of C-suite representatives from civil society, industry, academia and the private sector, with two co-chairs, a private sector CEO and a UK Government Minister.
- **Delivery Group(s):** A broader group of experts who will participate in specific delivery groups for different finance sub-sectors and real economy sectors, and other topics that arise. This will include representatives from companies, financial institutions, regulators, policymakers, civil society, and academia.
- **Secretariat:** UK Centre for Greening Finance and Investment (CGFI) and E3G. Co-leads are Dr Ben Caldecott (CGFI) and Kate Levick (E3G).

The Delivery Group(s) will provide updates to and seek steers from the Steering Group at the Steering Group's meetings and in writing, as the need arises. The Secretariat, in consultation with the Steering Group and Delivery Groups, will establish an agreed process of decision between the groups.

Outputs

1. Make recommendations for a Transition Plan Disclosure Framework that enables science-based, standardised and meaningful transition plans, covering key elements, including but not limited to: short, medium and long-term targets; specific actions for climate mitigation and adaptation; capex plans; specific sectoral considerations such as fossil fuel phase-out plans and plans for scaling up new investment areas.
2. Prepare detailed sectoral Transition Plan Templates, based on 1 above, with associated guidance on metrics and targets
 - a. Prepare regulatory templates and guidance for finance sub-sectors
 - b. Prepare regulatory templates and guidance for key real economy sectors

3. Create guidance on the role of governance and assurance, third-party verification and the implications of organisational transition plans for reporting.
4. Deliver input and cross-over to the net-zero transition pathway review for the financial sector being undertaken by the UK, which will be reflected in a new Strategy to be published in 2022.
5. Make recommendations on how to simplify the assessment, comparison and interpretation of transition plans by users.
6. Make recommendations to enhance the capacity of users to effectively use transition plans, as well as the capacity of preparers to produce accurate, robust, and accountable transition plans and avoid greenwashing.
7. Produce a pathway for future work on transition plans for consultation.
8. Build relationships and establish dialogues with the organisations overseeing relevant international standards (ISSB, TCFD, the International Platform on Sustainable Finance, IOSCO, UNSG High-Level Expert Group, BIS, the G20 Sustainable Finance Working Group, and GFANZ) and national standards, together with any others which show an interest in developing transition plan requirements).
9. Establish a sandbox for users and preparers to pilot and evaluate transition plan templates, recommendations and metrics.

Timeline

The TPT was launched with a two-year mandate ending on 29 February 2024.

On 24 January 2024, this was extended to 31 July 2024, with the possibility to extend for another three months. This extension will allow the TPT to contribute to the Transition Finance Market Review, launched on 22 January 2024 for six months, with the possibility to extend to nine months.