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Transition Plan Taskforce Publishes the Final Disclosure Framework

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On October 9, 2023, the Transition Plan Taskforce (TPT) published the [Disclosure Framework](#) providing good practice recommendations for companies to enable them to make “high quality, consistent and comparable transition plan disclosures.” A key feature of the TPT Disclosure Framework is that it has been developed with the support of the Financial Conduct Authority (FCA) and is designed to be consistent with the leading voluntary international disclosure frameworks.

The TPT, a cooperative project led by the private sector, was initially introduced during COP26, held in Glasgow in 2021. During the conference, the UK pledged to become the world’s net zero-aligned financial center, and committed to ensure that market participants had all of the information and tools they needed to align with their climate and nature goals. To help achieve its ambitions, HM Treasury assembled the TPT in April 2022 comprising Aviva, Legal & General Investment Management, NatWest and Unilever, various UK government departments, the FCA, and activist organizations such as ShareAction.

The TPT Disclosure Framework is based on two major reporting and disclosure models. On one side, it is designed to be consistent with the International Sustainability Standards Board (ISSB) standards, which serve as a baseline of sustainability disclosures for capital markets; on the other side, the TPT Disclosure Framework is also aligned with the transition plan guidance developed by the Glasgow Finance Alliance for Net Zero (GFANZ). The framework therefore supports and endorses international standards and guidance.

The aim of the TPT Disclosure Framework is to provide principles and strategies to assist the transition planning to net zero. To this end, the TPT Disclosure Framework revolves around

three main guiding principles, under which sit five key elements of a good practice transition plan (according to GFANZ guidance):

Ambition - the urgency to act:

1. *Foundations*: an entity should disclose, inter alia (i) its objectives and priorities for reducing its Scope 1, 2 and 3 GHG emissions in either its operations or value chain, and for enhancing its resilience to the changing climate and responding to the risks and opportunities that arise from the transition to low-GHG emissions; (ii) whether and how it has identified, assessed and taken into account the impacts and dependencies of the transition plan on its stakeholders; and (iii) any short, medium and long-term targets and milestones it has set to measure progress.

Action - turning the ambition into concrete steps:

2. *Implementation Strategy*: an entity should disclose the steps it is taking within its business operations, products and services, policies and conditions to realize its strategic ambition. This disclosure should also encompass the resulting impacts on the entity's financial position, financial performance, and cash flows.
3. *Engagement Strategy*: an entity shall disclose information about any engagement activities with other entities in its value chain that it is undertaking or plans to undertake in order to achieve the strategic ambition of its transition plan.

Accountability - defining roles and responsibilities in the commitment to deliver a robust transition plan:

4. *Metrics & Targets*: an entity should disclose any information about the governance, engagement, business and operational metrics and targets that it uses to drive and monitor progress towards the strategic ambition of its transition plan.
5. *Governance*: an entity should disclose how it is integrating its transition plan into its governance structures and organizational arrangements to achieve the strategic ambition of its transition plan.

Each of the above described elements is in turn divided into 19 sub-elements. The interaction among the three core principles, the five elements described thereunder and relevant sub-elements, is what forms the TPT Disclosure Framework which, if implemented and complied with, is intended to help companies with the realization of credible and solid transition plans.

Taking the Temperature: It is hoped that the Disclosure Framework will promote and endorse the transition to decarbonization, low GHG emissions, climate-resilient economies and climate-related risk management. By developing and implementing transition plans following the recommendations by the TPT, entities will not only be enabled to direct strategy, promote coordinated, purposeful actions, and support an organizational transformation, but will also enhance the information available to investors and lenders, allowing them to price risk and make capital allocation decisions. If implemented and utilized effectively, disclosures made under the framework will act as a reference point for financial instruments and products directed towards financing the climate transition.

A key advantage of the TPT Disclosure Framework is its alignment with globally recognized standards of ISSB and GFANZ. We frequently discuss the importance of global alignment when it comes to reporting and disclosure frameworks in order to achieve their entire purpose in the first place – that is, to bring order, consistency, transparency, comparability and reliability to the plethora of ESG-related information and data available to investors. TPT’s recognition of this underscores how crucial that is, as regulatory bodies and other standard setters start to do the same. [As we noted earlier this year](#), EFRAG and GRI have also undertaken comparable alignment initiatives.

The TPT Disclosure Framework is not mandatory, at least for the moment. However, the fact that the TPT Disclosure Framework is supported by the FCA is a strong indication of the future direction of travel. In August 2023, the [FCA announced](#) its intention to consult on rules and guidance for listed companies to disclose in line with the ISSB Standards and the TPT Disclosure Framework. That consultation is due to take place in 2024.