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Disclosure: UK Publishes Disclosure Framework for Transition Plans

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Disclosure



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The UK's Transition Plan Taskforce (TPT) has **announced** the publication of a “gold standard” **Disclosure Framework** and **Implementation Guidance** for how companies should develop, test and report on climate transition plans. The UK Chancellor announced the formation of the TPT in November 2021 at COP26 as part of the UK's plans to become the world's first net zero financial center and to address the fact that “early plans have varied in quality and often lack detail on the short-term actions that are being taken to achieve” climate targets. Alongside the Disclosure Framework, the TPT has also launched a regulatory sandbox aimed at testing pilot disclosures and assisting users to prepare their own transition plans. The Disclosure Framework and the Implementation Guidance are open for public consultation until February 28, 2023.

The TPT recommends that a transition plan should cover:

- A company's high-level ambitions to mitigate, manage, and respond to the changing climate and to leverage opportunities of the transition to a low greenhouse gas and climate resilient economy.
- Short-, medium-, and long-term actions the company intends to take to achieve its ambitions along with details as to how these actions will be financed.
- Governance and accountability procedures that support the delivery of the plan and regular reporting.
- Measures to address material risks to, and leverage opportunities for, the natural environment and stakeholders.

Sacha Sadan, ESG Director, Financial Conduct Authority (FCA), said: “Our ESG strategy supports the role of finance in delivering a market-led transition to a more sustainable economy. We strongly welcome today's publication of the Transition Plan Taskforce's Disclosure

Framework and Implementation Guidance. The FCA has been actively involved in the development and drafting of these initial outputs. We look forward to using the final outputs as we move to strengthen our transition plan disclosure expectations of listed companies and regulated firms.”

Taking the Temperature: The thrust of the TPT Framework is not revolutionary. Its focus on climate-related governance, testing, and fact-based assessment and disclosure echoes the type of guidance provided in the U.S. by the Securities and Exchange Commission and other financial regulators and under the EU’s various sustainability directives, including the Corporate Sustainability Reporting Directive and the Sustainable Finance Disclosure Regulation. While a helpful clarification for UK entities, the challenge for boards and management raised by the TPT Disclosure Framework and its analogs in other jurisdictions is to take action based on applicable guidance and manage conflicting regulatory initiatives to the extent the company is subject to more than one regulatory scheme. To do so, directors and officers should consider: (i) the establishment of processes (or the quality of how those processes function) for identifying, assessing, and making decisions regarding climate-related risks and opportunities, including risks of physical assets and transition risks; (ii) periodically testing the adequacy of these processes; (iii) even if not directly applicable, taking into account guidance in other jurisdictions regarding governance or disclosure in order to achieve a best-in-class approach; and (iv) rigorously assessing the risks associated with potential challenges for greenwashing or its corollary, greenhushing.