



WWF-UK
Registered office
The Living Planet Centre
Rufford House, Brewery Road
Woking, Surrey GU21 4LL

Tel: +44 (0)1483 426444
info@wwf.org.uk
wwf.org.uk

14 July 2022

Reference: WWF Response to Call to Evidence on a Sector-Neutral Framework for private sector transition plans as published by the transition plan Task Force

WWF's five key messages to the TPT:

- 1) **Integrate nature-related risks and opportunities into Transition Plans**
Entities must ensure safeguards are in place to mitigate harms against nature, manage material nature-related risks and dependencies, and identify opportunities and co-benefits from nature's restoration.
- 2) **Align with an authoritative science-based approach**
Companies should be required to align their targets with science-based 1.5°C targets, following international best practice
- 3) **Include Scope 3 emissions explicitly**
Companies should explicitly include Scope 3 emission targets to enhance the impact and credibility of the TPT framework
- 4) **Enhance transparency on action plan activities**
Identified measures and accompanying emissions impact should be presented simply, showing how these measures together deliver the 1.5°C target and fit in a transparent governance process
- 5) **Enhance comparability of transition plans**
Companies should be required to report on a consistent set of sector-neutral metrics to enable comparability across entities

Background

The World Wide Fund for Nature (WWF) is a leading, independent environmental organisation with representation in nearly 100 countries globally. We conduct independent research into the impact of human systems on wildlife, climate and nature. We also have a strong International Finance Practice with expertise in financial regulation, risk assessment, investor engagement and green financial mechanisms and are currently observers, Platform members, advisors and Task Force members of key international initiatives in policy and finance, including the current UK Net Zero transition plan Steering Group and Working Group and the UK's Green Taxonomy Advisory Group. See more here: [Finance | WWF \(panda.org\)](#).

Contents – All Questions (priorities are highlighted)

1. Do you agree with the proposed definition of a transition plan? If not, why, and what alternative definition would you suggest?	4
2. From your perspective, who are the key users of transition plans?	5
3. From your perspective, what are the key use cases for transition plans?	6
4. How should the TPT select which sectors to develop tailored transition plan templates for? Following that logic, what financial sub-sectors and real economy sectors should the TPT prioritise? In what order should these be addressed?	6
5. Given the mandate set out in the TPT’s Terms of Reference, to what extent, and how, should the TPT consider issues beyond a firm’s contribution to an economy-wide decarbonisation? Why?	8
6. Which of these issues are ‘must-haves’ that need to be addressed in all transition plans, and which are ‘desirable’, which add depth or breadth but are not central to a transition plan?	10
7. Do you envisage any tensions between entity-level decarbonisation and economy-wide decarbonisation goals? If so, can you provide examples and any suggestions as to how the UK TPT may address these in its guidance. ...	10
8. What other financial or non-financial, mandatory or voluntary frameworks and processes are you aware of that the TPT should consider as it proceeds?	11
9. Where would you prefer for companies to disclose information on their transition plans? Please explain your reasoning, including on how the suggested location relates to the intended audience.	12
10. How prescriptive should the Sector-Neutral Framework be, recognising the need to balance flexibility in how firms disclose transition plans with more prescriptive templates that seek to facilitate comparability of firms’ transition plans?	13
11. Should the TPT seek to standardise the data and metrics used to communicate ambition and measure progress in transition plans? If so, what are the standards for data and metrics that you would recommend including in the Sector-Neutral Framework and in supplementary sectoral guidance?	14
12. Question for small and medium-sized enterprises: what specific challenges do you foresee for SMEs seeking to prepare or use transition plans? How can the guidance and framework prepared by the TPT address these concerns?	15
14. Transition plans provide an opportunity to ensure the benefits of the climate transition are widely felt by UK households and consumers. How can the guidance developed by the TPT balance the need to minimise costs whilst encouraging companies to develop strategies to maximise benefits for all?	16
15. Do you agree with the proposed Principles? Why or why not?	16
16. Are there any Principles that you would add to the list above? Why?	18
17. Which of these Principles would you regard as ‘must-haves’ or as ‘desirable’?	19
18. Principle 1 notes that a transition plan should cover the whole organisation. There may be challenges for internationally active firms in meeting Principle 1, given that different jurisdictions will have different economy-wide transition pathways. How can the TPT design its standard and guidance in a way that accommodates credible transition plans consistent with the broader strategy of a firm, but reflects differences between approaches taken in different jurisdictions?	19
19. Do you agree with the proposed Elements? Why or why not?	19
20. Are there any Elements that you would add to the list below? Why?	20
21. Which of these Elements would you regard as ‘must-haves’ or as ‘desirable’ for credible transition plans? In which instances should an entity assess materiality to determine whether an Element is considered must-have and/or what level of disclosure detail is required?	21
22. Are there Elements where you see substantial barriers to implementation? If so, which ones and why? Are you able to suggest alternatives which are both credible and practical?	22

Introduction

1. Do you agree with the proposed definition of a transition plan? If not, why, and what alternative definition would you suggest?

While we support the current definition of “transition plans”, we suggest making some amendments to the definition along the following lines:

- 1) Reference “nature” in the definition**
- 2) Align to science-based approaches**
- 3) Explicitly state that transition plans should be integrated into the business strategy**

In more detail:

- 1) Reference nature in the definition.** The transition to net zero is inextricably linked to protecting biodiversity and ecosystems. Entities must recognise their material impact on nature, prevent further nature loss and utilise high-integrity nature-based solutions to manage the climate and biodiversity crises. While nature loss fundamentally drives climate change and vice versa, nature loss is also material in its own right, as demonstrated by work by the [Network for Greening the Financial System \(2022\)](#) and the Dasgupta Review on Biodiversity (Dasgupta, 2021). Ignoring the synergy between nature and climate will result in a suboptimal transition plan framework for the UK and will decrease its validity as a gold standard globally. Entities should report and act on nature-related risks and opportunities, while seeking co-benefits in their mitigation activities.
- 2) Science-based alignment.** The current definition should be strengthened to include specific national and/or international timebound targets when outlining the ‘low carbon economy’, for example the UK’s commitment to have a net zero economy by 2050 (Section 1 - Climate Change Act, 2008) and the Paris agreement’s goal of limiting warming to 1.5°C (UNFCCC, 2015). We suggest changing the wording from “towards a low carbon economy” to “towards reaching the goals set-out in the Paris Agreement”. [GFANZ’s definition](#) of transition plan states explicitly that “a Transition Plan must be consistent with achieving net zero by 2050, at the latest, in line with global efforts to limit warming to 1.5 degrees C, above preindustrial levels, with low or no overshoot”.
- 3) Explicitly state that transition plans should be integrated into the overall business strategy.** A transition plan is only likely to be effective if decarbonisation and nature positive actions are an integral part of the business’s long-term strategy, as opposed to being developed in isolation (see e.g. The Good Transition Plan Guidance from Climate Safe Lending Network, 2021). A company’s strategy and policies should thus be updated to align with the transition plan. We suggest making this explicit in the transition plan definition.

We therefore propose the following adjustments to the definition: “A transition plan sets out how an organisation will adapt as the world transitions towards a ***net zero, nature positive*** economy ***by 2050 at the latest, in line with global efforts to limit warming to 1.5 degrees C***. It should ***be fully integrated with the long-term business strategy and*** set out a) high-level targets the organisation is using to mitigate climate risk, including greenhouse gas reduction targets (e.g. a net zero commitment) ***as well as nature-related risks and opportunities that accompany these climate targets*** b) interim milestones, c) actionable steps the organisation plans to take to hit those targets.”

2. From your perspective, who are the key users of transition plans?

We outline eleven key user groups (priority users presented first):

- **Regulators** should be considered one of the key initial users of transition plans, to inform the translation of standards and market practices into regulatory expectations, enabling sector wide action.
- **Policymakers** can assess the extent to which entities are contributing (or not) to national and international greenhouse gas reduction policies and target. Transition plans must be able to help them identify and predict areas where policy interventions are necessary.
- **Investors and Banks** can use the reports to assess the quality and ambition of an entity’s greenhouse gas reduction plan, credibility, and potential risks. The information provided must be decision-useful, as it may guide capital allocation decisions and lead to adjustments in client/investee stewardship and engagement practices.
- **Assurance/verification bodies** will be required to provide independent, third-party assurance of plans to ensure plans meet the prescribed requirements. They must be provided with accurate, comparable and clear information to understand the progress against established standards. This means that the standards provided should be “best in class” to set a high watermark for entities to move towards.

Other users of transition plans:

- **Rating agencies** use reports to assess an entity’s greenhouse gas reduction ambition level, credibility and potential risks and factor this information into rating assessments.
- **Data providers** will use reports to enhance their organisation-level ESG databases.
- **Civil society** will be able to distinguish between entities that are sincerely implementing their greenhouse gas reduction plans from those that are not.
- **Companies in the same value chain** can use the reports and plans to assess greenhouse gas emissions and reduction plans of a potential supplier and assist assessments of where in value chain the largest sources of Scope 3 emissions sit.
- **Companies in the same industry** can use other companies’ reports to help benchmark ambitions against peers and learn from industry peers.

- **Prospective employees** can assess their potential future employer on the sincerity of their decarbonization ambitions.
- **Internal stakeholders** such as employees or managers can use the reports and data to assess their organisation's targets and understand their own responsibilities.

3. From your perspective, what are the key use cases for transition plans?

First and foremost, a transition plan should seek to clearly present an entity's Action Plan, milestones and activities that it plans to implement to achieve its net zero targets, adapt its business model and manage its broader sustainability impacts. This must be presented clearly and comprehensively, with a wide range of users in mind. Transition plans can be used to guide *internal* actions and changes necessary to enable entity-level change, across all elements of the business.

We have identified six key use cases and their main stakeholders:

- Regulators should use transition plan disclosures to update regulatory expectations, for example through supervisory and macro-prudential measures aimed at preventing build-up of systemic risks to finance sector/economy or to better enable accompanying sanctions for non-compliance.
- Investors and banks can assess decarbonisation progress of their current assets/loan books and engage with the underlying investee companies and/or clients to better manage investment opportunities, risks and impacts. This will include a greater understanding of Scope 3 and nature-related exposure and the interdependencies of this exposure across portfolios and supply chains.
- Civil society (incl. academia and NGOs) can use transition plan disclosure to hold entities accountable on the targets and ambition of plans over time, assess progress towards policy objectives and validate corporate climate commitments.
- Independent auditors/bodies must be able to verify and compare targets and progress.
- Supply chain parties can vet (potential) supply chain partners.
- Industry peers can learn and adopt best practice from peers.

In order to be decision-useful to the users, it is necessary to consider verifiability, comprehensiveness, consistency and comparability of metrics, which could include milestones and progress KPIs.

4. How should the TPT select which sectors to develop tailored transition plan templates for? Following that logic, what financial sub-sectors and real economy sectors should the TPT prioritise? In what order should these be addressed?

Aside from the energy sector, we believe the TPT should **prioritise the Food Production and Retail sectors, specifically industries with dependencies on natural resources from**

forestry, land-use and agriculture (FLAG). These sectors score highly on all **four factors** we deem important for sector prioritisation.

1) UK FLAG accounts for 12% of national emissions directly (CCC, 2020), but this is 52% higher if emissions from the entire food supply chain are included, including retail and consumption (Garvey et al. 2020). This makes the food system a **major contributor to UK greenhouse gas emissions, particularly Scope 3 emissions.**

2) **The impact** of food production and retail, consumption and waste on **biodiversity** is substantial (Sanchez et al., 2022; IPBES, 2022; IPCC, 2021).

3) The Food Production and Retail sectors have the potential to **contribute positively to the economy-wide transition.** The combination of developing the carbon sequestration potential and the improvement of the biodiversity effects of the sector throughout the supply chain yields great synergies. It is also an area that would benefit greatly from green investment at all stages of the supply chain, from production inputs to consumer-facing industries.

4) It has a **high need for standardisation and decarbonisation guidance.** Guidance on FLAG-related sector emissions including the retail sector has been historically limited, but recent advances with the publication of draft SBTi FLAG sectoral guidance and an update to the GHG Protocol methodology provide opportunities to complement this progress with tailored transition-plan guidance. Furthermore, given the high level of fragmentation within these industries, guidance that is tailored to the requirements of smaller scale entities operating with sector-specific decarbonization challenges would disproportionately support UK-wide impact.

In terms of defining the choice of “sectors”, some disparity exists between the sectoral classifications and definitions. The SASB Sustainable Industry Classification System may provide a good starting point, as does the framework provided by the Global Resources Initiative for corporates. This is more focused towards classifications based on sustainability impacts and dependencies, and may prove more useful for bodies seeking comparable metrics.

Beyond FLAG-related sectors, the order of prioritisation for the other real economy sectors may follow those that have been published or are in development under the SBTi framework, namely Power, Oil and Gas, Aviation, Apparel, Buildings, Heavy Industries (e.g., Steel, Cement, Chemicals), and Financial Institutions.

In general, the following criteria are key to driving the prioritisation decision for the real economy sectors:

- i. The size of the sector’s share of total national greenhouse gas emissions
- ii. The impacts and dependencies of the sector on biodiversity and nature as a whole
- iii. The potential to contribute to economy-wide transition
- iv. The need for standardised decarbonisation guidance

In the financial sector, institutional investors and banks should be prioritised. These entities direct substantial capital flows and influence real economy sectors. More broadly, we believe the following factors are important in the prioritisation of financial institution sectoral guidance:

- i. The scope of influence and potential impact on greenhouse gas emissions and nature-related impacts (incl. Scope 3)
- ii. The potential to contribute to economy-wide transition (e.g., leveraging broader economy change)
- iii. The sector's influence in their Scope 3 emissions over other companies / organisations e.g. transport and construction
- iv. The availability of pre-existing sector specific guidance (e.g., as per net zero alliances under GFANZ)

5. In the sector specific guidance for institutional investors, we suggest the TPT requires entities to state their policy for managing their high emission assets, especially given the debate on how to reduce the greenhouse gas intensity of investments (GFANZ, 2022). Given the mandate set out in the TPT's Terms of Reference, to what extent, and how, should the TPT consider issues beyond a firm's contribution to an economy-wide decarbonisation? Why?

To deliver a truly cohesive framework, the TPT should consider three issues beyond the contribution of individual firms: (i) The role and impact of nature in mitigation, adaptation and resilience (ii) Scope 3 supply-chain emissions (iii) Social co-benefits.

Why: It will be impossible to achieve net zero or align to a 1.5°C pathway if we continue to degrade nature – and the UK cannot act alone.

- i. **The integration of nature** in corporate and financial sector transition plans is fundamental to success. We will not achieve net zero without addressing the erosion of nature and ecosystem services. Nature contributes to both mitigation, adaptation and resilience to the point where a healthy environment and stable climate are fundamentally interdependent (IPBES/IPCC, 2021). The UK government recognises the importance of nature preservation and restoration in the Environment Act, as well as aims for a nature positive economy in the updated Green Finance Strategy (Update to Green Finance Strategy – Call for Evidence, 2022). Nature loss (covering loss of biodiversity, ecosystem services and natural capital) is a key driver of climate change with the food system accounting for potentially up to 37% of global GHG emissions (IPCC Climate & Land Use, 2020). Nature-based solutions in climate change mitigation and adaptation are critical in limiting warming to 1.5°C, according to recent IPCC reports. Conversely, climate change initiatives could have unintended consequences, inadvertently harming nature e.g., production of renewable technologies can drive destructive mining practices in ecologically sensitive regions (IPBES/IPCC, 2021). Finally, nature in its own right is important for the

economy, ~50% of the world's GDP is moderately or highly dependent on nature and ecosystem services (WEF, 2020).

- ii. **Include Scope 3 supply chain emissions** should also be addressed in the Framework, as science-based targets include these emissions. Accounting for Scope 3 emissions can lead to active engagement across supply chains to incentivise reporting by supply chain actors. This is particularly important where business operations are out of the jurisdictional scope of the Transition Plan Framework.
- iii. **Social co-benefits** should also be considered when developing transition plans. The costs of a transition should not be borne by those who are socially and economically vulnerable. Social co-benefits should be considered when pursuing a net zero pathway as this will also ensure that the transition plan has adequate buy-in from multiple stakeholders and that social impacts are mitigated through risk management plans. This could take the form of engagement (i.e. stakeholders most affected by the transition must be meaningfully engaged in - and contribute to - transition plans that affect them) and/or due diligence (e.g. entities can report on their due diligence approaches on (*inter alia*) human rights and modern slavery for example and how they engage, or align to the Sustainable Development Goals (SDGs)).

How: Transition plans should assess nature-related risks and opportunities, manage supply chain impacts, and develop engagement and risk management frameworks to maximise co-benefits

- i. **Consider the impacts of current activities and those of the net zero transition on nature, and develop frameworks to manage dependencies and mitigate harms to nature.** Nature can contribute to abatement, but it also has co-benefits for adaptation and mitigation, for the entity and their supply chains. The TPT can incorporate these aspects by requesting that entities assess nature-related risks and dependencies in their portfolio, identify opportunities to reduce emissions from the nature loss (like land-use change), and investment in nature-based solutions. The latter also has co-benefits for adaptation and resilience. Safeguards should also be in place to mitigate wider harm to nature and prevent the further destruction of wider carbon sinks. As nature-related standards are still in development, the TPT could use a phased approach, building on the frameworks that are already there (e.g., the TNFD Nature-related Risk and Opportunity Management and Disclosure Framework, GRI's nature standards or SBTN Initial Guidance for Business) but also already making provisions for future developments.
- ii. **To incorporate Scope 3 emissions,** the TPT could request entities to disclose their supply chain emissions, including cross-border emissions, within their emissions inventories, and comment on how their plans account for these emissions, for example, through a credible and robust engagement plan that sets out a strategy to engage suppliers, deadlines for engagement outcomes and next steps should the entities fail to deliver on targets.

- iii. **To ensure the climate transition is socially equitable and maximises co-benefits,** the TPT Framework could for example request companies to disclose how their plans align with specific government or international policies on social dimensions (such as alignment with the Sustainable Development Goals), lay out their plans for stakeholder engagement and inclusion, or incorporate due diligence processes into their Action Plans.

6. Which of these issues are ‘must-haves’ that need to be addressed in all transition plans, and which are ‘desirable’, which add depth or breadth but are not central to a transition plan?

We believe that all three of the above Elements are essential for a credible transition plan. These Elements ensure robustness and effectiveness of transition plans, but also anticipate the further integration towards not only net zero, but also nature positive reporting, while enabling forward-looking risk and impact management. All of these Elements do not have to be integrated all at once. It is sufficient to start with a gold standard that is achievable today, while signposting clearly that these standards will be strengthened as more information becomes available and standardised metrics become more widespread.

Aiming for integrated net zero nature, positive transition plans in the long run reflects the strong interaction between net zero and nature, which is also receiving more attention from policymakers and businesses. Fully integrated net zero nature positive goals, such as standardised reporting metrics, are still under development (e.g. TNFD, EFRAG ESRS, and SBTN frameworks). Nevertheless, there is significant clarity on how nature can be incorporated to already take steps in the direction of net zero nature positive frameworks while ensuring robustness and effectiveness of transition plans. Therefore, we propose to use a phased approach building on what already exists and aiming for full net zero nature positive integration over time. Nature-related elements referenced in Question 5, that are ready to be integrated, are therefore considered “must-haves”.

7. Do you envisage any tensions between entity-level decarbonisation and economy-wide decarbonisation goals? If so, can you provide examples and any suggestions as to how the UK TPT may address these in its guidance.

We see three potential areas of tension: 1) misalignment between entity-level decarbonisation and sector-specific pathways, 2) national policy inhibiting entity action and 3) disparities on expectations around scope 3 emissions.

Misalignment between entity and national sector-specific pathways

The UK government has a comprehensive net zero strategy including sector-specific targets and sector transition pathways outlined by the CCC (CCC, 2020). There is, however, no clear linkage between entity level decarbonisation and their relative contribution to these sector pathway trajectories. Any

emphasis on economy wide approach must be combined with mechanisms to track alignment with economy wide decarbonisation, including the financing (both private and public) needed to facilitate the transition. Implementing a steering mechanism to ensure that entity level transition plans align with the sector-specific pathways could be a solution, although this is out of the remit of the Task Force. It is advised to have such solutions in mind alongside the development of the transition plan standards.

National policy inhibiting entity action

The CCC report (CCC, 2021) notes that net zero greenhouse gas targets are not considered credible unless policy enables industries to decarbonise. This means new and existing policy should be aligned with this ambition, especially with regards to public financing.

We suggest a review mechanism (e.g. a structural working group) that should be permanently in place and which acts as a platform for peer-to-peer and industry-to-government engagement. This review mechanism could gather feedback from stakeholders to identify effective and critical policy interventions that can support industry to overcome obstacles, as well as to identify and manage policies that are currently hindering progress. There are other ways of gathering this feedback and relaying it to policymakers and regulators which could take a less formal approach, but such a mechanism to capture industry feedback should be planned.

Approaches to managing scope 3

Scope 3 emissions accounting has its complexities and can lead to double counting. However, it is nonetheless important for entities, particularly those who have significant supply chain emissions, to identify where their most pertinent opportunities to mitigate emissions are, both within their own operations and their supply chain, and to document their action plan to get supply chain actors to report on emissions and mitigate climate impacts. Sectoral guidance should set out what is expected of entities whose primary impacts rest in the supply chain, for example, providing guidance on a credible engagement strategy for scope 3 emissions, including objectives, milestones, deadlines and next steps should an engagement fail.

8. What other financial or non-financial, mandatory or voluntary frameworks and processes are you aware of that the TPT should consider as it proceeds?

To ensure comparability and prevent duplication of work, alignment with other frameworks and standards is crucial. For carbon emission targets and reporting, the TPT should refer to and clarify the overlap between several reporting and standard setting institutions (including CPI, TPI, ISSB, TCFD).

For nature-related reporting and targets, we recommend consideration of:

- i. The upcoming TNFD Nature-related Risk and Opportunity Management and Disclosure Framework
- ii. Global Reporting Initiative's (GRI) nature standards (e.g., GRI 303, GRI 304, GRI 305)

- iii. SBTN Initial Guidance for Business

Additional carbon emission target and reporting initiatives that could be complementary to the Principles outlined in the Call for Evidence and would support the framework include:

- i. [The Science-based Targets Initiative Net Zero Standard](#)
- ii. The [WWF Beyond Net Zero Guidance](#)
- iii. The [WWF Beyond Carbon Credits - Blueprint](#)
- iv. The UK Voluntary Carbon Markets Integrity Initiative Provisional Claims Code of Practice
- v. The Greenhouse Gas Protocol
- vi. Umbrella alliances sitting under GFANZ (such as NZIA, NZAOA, NZBA)
- vii. Industry specific standards

9. Where would you prefer for companies to disclose information on their transition plans? Please explain your reasoning, including on how the suggested location relates to the intended audience.

Currently, sustainability reports, annual reports and financial reports may integrate, to some degree or other, various sustainability- and transition-related disclosures. However, ideally this should be centralised. Therefore, we believe the framework should work towards integrated net zero reporting in their financial annual reports, preferably by 2025 when such information could be audited, once sufficient information in the market is in place. We suggest that these details also are shared at annual investor day presentations and are freely available on company websites to heighten awareness and accessibility of the plans. This is in line with the proposals from the upcoming ISSB-IFRS sustainability and climate disclosure reporting standards too.

Comprehensive and simultaneous financial and non-financial reporting at annual investor days

We follow the suggestions from the ISSB, IFRS and others (e.g. Reporting on Enterprise Value, 2020) to request companies to publish their plans and progress in their mainstream financial reports. This enables companies to report comprehensively on both their financials and their environmental performance. Comprehensiveness of impact reporting is key to provide transparency on trade-offs between financial performance and other measures of impact. Furthermore, the annual investor/capital markets day presentations are a very suitable primary platform of publication. This is a moment that receives the most scrutiny from the key audience, investors, and attracts a spike of attention in the press - enabling a wider audience to be reached as well.

We recognise that consolidated impact reporting with annual financial reports might not be practical in the short term due to concerns around financial auditing and re-statements in the fast-evolving space. However, the financial viability of entities is dependent on the successful implementation of transition

plans, so we recommend transition plan reporting is consolidated into annual reports in a phased approach and as third-party auditing capabilities are strengthened.

Plans and progress reports should be freely accessible

To ensure verifiability and comparability of the plans, the plans as well as the reported progress to date should be continuously and freely accessible to external stakeholders. This enables policy makers and civil society to assess progress, academics to use the data in research, as well as supply chain or industry peers to assess potential suppliers. The primary platform for publication should be the company website. In addition to that, we suggest the UK government hosts or tenders for the hosting of a database where all companies' metrics are assembled and consolidated. This database would enable continuous monitoring of progress and effectiveness of the TPT.

10. How prescriptive should the Sector-Neutral Framework be, recognising the need to balance flexibility in how firms disclose transition plans with more prescriptive templates that seek to facilitate comparability of firms' transition plans?

Balancing the level of prescriptiveness of the Framework with flexibility that reflects specific circumstances is a challenge. However, the **comparability of transition plans is a key success factor, so we would strongly advocate for an emphasis on comparable disclosures**. In our view, the Framework should be form a set of core disclosures that deliver on the TPT mandate, while encouraging preparers to share more details on the specific circumstances that reviewers should consider when evaluating their plans.

Comparability requires some prescriptiveness

We believe the guiding Principles in balancing the Framework's prescriptiveness with its flexibility should be the **credibility and usability** of the transition plans. Credibility is mainly driven by the verifiability and comparability of metrics by the main (external) stakeholders, which is particularly important at sub-sectoral level, when comparing like entities. This is also important for the auditing process.

The TPT standards should seek to reduce investor's confusion in this area by defining what metrics to report, their methodologies and their disclosure periods. Furthermore, the metrics should be verifiable by a qualified third-party and the Framework should describe which metrics should be visible to external stakeholders. We recognise that for nature related metrics a standardised framework is still under development, so we advise the TPT to adopt a phased approach and already make provisions in the Framework for once these frameworks become available. An example of a reporting standard covering a broad range of environmental and climate metrics that balances prescriptiveness, comparability and rigour, is the [WWF Basket Metric](#) for UK food retailers.

International alignment reduces reporting burden

One of the most impactful ways of reducing the reporting burden without compromising credibility, is to **align reporting metrics and methodologies with the latest internationally accepted science-based target-setting and reporting standards**. Also, consistency with reporting metrics originating from other reporting standards enables the data to be used by external stakeholders in their ESG analyses (e.g., for investment decisions). Furthermore, as the market is requesting structure and clarity on the different frameworks and standards (EY, 2020), the TPT can catalyze the different frameworks and provide clarity where needed.

Examples can be drawn from the S&P Corporate Sustainability Assessment (CSA), as well as the GRI until other frameworks for wider reporting have been developed. S&P CSA asks companies to report on metrics such as absolute and intensity of Scope 3 emissions. On top of a wide range of standardised metrics, S&P also provides an evaluative preparedness score indicating a company's long-term capacity to anticipate and adapt to long-term plausible disruptions. For as far as possible, the TNFD beta framework as well as the SBTN interim targets can be used for nature-related reporting. The ISSB also has specific disclosures available for water and biodiversity.

An approach which emphasises comparability stands to enhance accessibility, reduce market confusion, establish greater trust in the outputs, and increase the ability of assessors to differentiate entities with robust transition plans versus those without. It will also, hopefully initiate a race to the top. Any other approach would be tangential to the wider direction of travel, where 98% of investors are seeking a more structured approach to ESG reporting (EY, 2020).

11. Should the TPT seek to standardise the data and metrics used to communicate ambition and measure progress in transition plans? If so, what are the standards for data and metrics that you would recommend including in the Sector-Neutral Framework and in supplementary sectoral guidance?

As shared in the previous answer, comparability and verifiability of results is crucial to the Framework's success. Standardised data and methodologies are therefore key.

Standardised data and metrics enable the publication of transparent transition plans that allow stakeholders to accurately differentiate. Without a set of directly comparable metrics across industries, it will be too easy for poor performing entities to obscure inaction. Such an approach is in line with the World Economic Forum International Business Council (WEF IBC), which recognises the division of climate-related metrics into two groups – those that apply to all entities (cross-industry) and those that are sector-specific.

Sector-neutral guidance should focus on high-level targets and process-oriented metrics

We believe sector-neutral guidance is there to ensure comparability across companies and sectors as well as lay out preconditions for an entity to pivot towards a decarbonised business model. Therefore, metrics that should be included in the sector-neutral guidance are company-level decarbonization

impact targets, progress at milestones, and governance/management metrics, as seen in the TCFD. A snapshot of economic viability and assumptions will enable an identify how much can be abated by the company, and what actions can be taken, but also signal to regulators and policymakers where progress may be stilted by considerations outside of the entity's control (for example, decarbonization of the grid).

For both sector-neutral as well as the sector-specific framework, there should be space for entities to explain the context they are operating in. TCFD already incorporates space for entities to explain their specific supply chain or geographical circumstances. There should also be space for entities to outline recommendations to government.

Sector-specific guidance should focus on sector-specific impact reporting

Sector-specific guidance should focus on the needs of the entity, including the type of industry, potential for full or partial mitigation of carbon emissions, and where influence and exposure lies in the value chain. It is important to ensure that standardisation compares like for like and creates fair comparisons between entities that have similar environmental impact. SASB provides an industry-classification framework that groups entities based on the impact they have on the environment.

Sector-specific metrics can go beyond high-level impact and process-related metrics and cover relevant, quantified impact KPIs. These impact KPIs should cover more than just decarbonisation metrics. They could also cover sector-specific impact metrics on nature as well as specific due diligence requirements on nature or social risks. For nature-related KPI's, however, there is no standardised set. Therefore, we suggest using a phased approach and first build upon what is already there while making provisions for future developments.

For the financial sector, it would be important to include guidance on how to engage with clients, especially for high emission investments. Providing **guidance on engagement strategies** prevents financial institutions from simply divesting high-emitting assets, and instead supporting clients in the decarbonisation of these assets (see: UNEP FI Guidance on the Blue Economy, Turning the Tide, 2021).

12. Question for small and medium-sized enterprises: what specific challenges do you foresee for SMEs seeking to prepare or use transition plans? How can the guidance and framework prepared by the TPT address these concerns?

In some sectors, such as agriculture and retail, SMEs form a sizeable share of the market. The TPT should therefore not overlook SMEs and provide guidance that is tailored to institutions based on their size or market capitalisation.

As SMEs most likely face constraints in capacity with regards to time and people, an extensive reporting framework would likely be disproportionate. Also, to monitor decarbonisation progress, SME transition plans become more relevant if aggregated, so comparability is a must. Therefore, we suggest the TPT

streamlines requirements for SMEs by developing a minimum viable reporting standard, similar to the approach taken by SBTi with their SME Route. This minimal reporting standard could be accompanied by readily available calculation tools that can assist a company in calculating their carbon emissions based on data SMEs can easily obtain or already have. Lastly, the TPT could set up a support line together with learning sessions in order to support SMEs with the planning and reporting of their decarbonisation efforts.

13. Question for preparers only: if your firm does not already disclose information of the type outlined in this Call for Evidence, what are the reasons for that? For example, are there concerns about legal or possible market risks arising from disclosure? How could the work planned by the TPT address these concerns?

N/A

14. Transition plans provide an opportunity to ensure the benefits of the climate transition are widely felt by UK households and consumers. How can the guidance developed by the TPT balance the need to minimise costs whilst encouraging companies to develop strategies to maximise benefits for all?

The implications of the transition to a decarbonised economy can have impact on wealth distribution and equality (WWF, 2020). For example, households will be affected differently by changing energy prices, demand in labour skills and the adoption of green mobility options. To ensure benefits of the transition are spread widely, entities should not be asked to report on their decarbonisation progress alone but report on their efforts to ensure social components are factored in. For example, the TPT could request entities to report on how their policies align with specific social governmental policies. We suggest a working group is established to explore how the Transition Plan Framework can best safeguard a social and equitable transition.

Notwithstanding the benefits of the transition, the implementation of the transition plan Framework will increase corporate costs. The TPT should ensure these costs are not disproportionate to their means. The TPT could minimise costs of implementation by adopting already existing and widely used methodologies and frameworks (e.g. SBTi or EU Taxonomy). Furthermore, the TPT should phase in the transition plan Framework with clear visibility on timelines. Lastly, to prevent unnecessary costs, the TPT should provide clarity on the requirements and perhaps even illustrate what a good transition plan looks like with a worked example from a hypothetical company.

15. Do you agree with the proposed Principles? Why or why not?

We agree with the proposed Principles but would refine them as below:

Refer explicitly to a science-based approach to the net zero transition, including Scopes 1, 2 & 3 in Principle 1. We agree with the inclusion of Principle 1 and would indeed position it as the

foremost Principle to guide transition plans. While references to “ideally a 1.5°C low or no overshoot scenario by 2050” relate to a science-based approach, we would explicitly include a clause such as “Alignment assessment must be based on multiple 1.5°C no or low overshoot scenarios based on a strict set of science-based criteria and science-based targets that cover Scopes 1, 2 & 3 ...”. We consider science-based targets to be sustainability targets based on science that are capable of urgently responding to scientific analysis and recommendations and can ensure effective action while encouraging intensity reductions. Such a reference helps by aligning transition plans with the most robust and globally recognised approach to setting net zero goals, while ensuring compatibility with the Greenhouse Gas Protocol, mitigation hierarchies, and the need to decarbonise first before neutralising residual emissions.

Intended decarbonisation measures together deliver the 1.5°C target. We agree with the inclusion Principle 2, in particular the reference to concrete near term actions which current management teams can commit to and deliver. In addition, we propose they explain how these actions **deliver on near-term targets together**. This places emphasis on entities sharing how their actions, **in aggregate**, deliver on their ambitions – which is a key disclosure for an accurate evaluation of transition plans.

KPIs to be comparable across entities in Principle 3. We agree with the inclusion of Principle 3, and in particular the reference for quantifiable and time-bound key performance indicators (KPIs). However, we would go further, and argue that the TPT should aim to work towards a set of consistent KPIs in the sector-neutral approach that are directly comparable across entities and aligned with existing frameworks that are already developed. Where there is no guidance or framework yet, provisions can be made to ensure later incorporation. Especially for nature-related KPI’s it is key to focus on metrics that enable robust transition frameworks, but also lay the foundation for integrated nature positive reporting. A consistent approach towards KPI’s would enable a key success factor of the TPT, delivering transparent transition plans that allow stakeholders to accurately differentiate robust plans. Without a set of directly comparable metrics across industries, it will be too easy for poor performing entities to obscure inaction. Such an approach is in line with the TCFD, which recognises climate-related metrics in two groups – those that apply to all entities (cross-industry) and those that are sector-specific.

We also propose to add a fourth Principle as detailed in our response to Question 16, “**account for nature through an integrated approach to net zero planning**”, which includes incorporating material risks and dependencies from nature, ensures environmental and social safeguards to minimise harms are in place, and ensures that decarbonization pathways try to maximise co-benefits to nature and society. As the Principles currently stand, it would not require an integrated approach to the energy transition. This risks perverse consequences which constrain the overall objective of meeting net zero, or may lead to an organization failing to identify key trade-offs that could affect the business and society. The UK government recognises the importance of nature preservation and restoration in the Environmental Act, as well as the ambition for a Nature positive economy in the updated Green Finance Strategy (Update to Green Finance Strategy – Call for Evidence, 2022), emphasising the need to move

towards a nature positive economy. In the question below, we outline why we need to integrate nature into net zero planning, particularly because 1) Paris Alignment or net zero will be unlikely if not impossible, without managing nature loss, 2) mitigation without guardrails can harm nature, 3) nature is a significant carbon sink, 4) nature supports adaptation and resilience, 5) integrated thinking improves decision making and facilitates coherent, cost-effective solutions.

16. Are there any Principles that you would add to the list above? Why?

As proposed above, we would like to add a Principle along the lines of “**account for nature through an integrated approach to net zero planning**”, for the following reasons:

- 1) **Nature loss and climate change drive each other – but are also part of each other’s solution:** The destruction of natural ecosystems accounts for an estimated 23% of net anthropogenic greenhouse gas emissions each year (IPCC, 2022) – meeting the Paris Agreement goals is contingent on reducing these emissions, as underlined by the Glasgow Leaders’ Declaration on Forests and Land Use (COP26, 2021). Climate change is also one of the fastest growing drivers of biodiversity loss. More specifically, climate change has already resulted in changes of species distribution, disrupted interaction of species and mismatches in migration timing, food supply and breeding (OECD, 2021).
- 2) **Mitigation without guardrails can harm nature - but can create synergies as well:** As substitutes for a fossil-fuel powered economy are developed and scaled, new green transition technologies and systems can degrade the natural environment, constraining the net emissions impact of the transition. For example, extracting minerals from high-conservation value forest ecosystems in central Africa to supply the raw materials for electric vehicle batteries (World Bank, 2019), or clearing high-conservation value forest in South-east Asia for monocultures of palm oil to supply growing biofuel markets (Rainforest Foundation, 2020).
- 3) **Nature is a significant carbon sink – key to mitigating climate change:** Nature has the potential to absorb up to a third of annual anthropogenic greenhouse gas emissions (IPCC AR6, Mitigation of Climate Change, 2021).
- 4) **Nature supports adaptation and resilience – crucial for a livable future:** Natural ecosystems are a cost-effective approach to improving resilience to the impacts of climate change (IPBES, 2019; GCA, 2021), especially when biodiversity is incorporated into policy plans (Seddon et al., 2020).
- 5) **Integrated thinking improves decision making and facilitates coherent, cost-effective solutions – creating co-benefits in other dimensions as well:** Incorporating nature in decision-making maximises the effectiveness of transition plans and minimises the risks of inappropriate solutions. For example, 260 billion tons of irrecoverable carbon is stored in ecosystems such as peatlands, mangroves, old-growth forests and marshes which are at risk of being disturbed by human activity (Goldstein et al, 2020). Taking a holistic approach to decision-making would prevent taking actions that could lead to this carbon being released to the atmosphere.

17. Which of these Principles would you regard as ‘must-haves’ or as ‘desirable’?

We regard all existing Principles as well as the addition of a fourth Principle as a ‘must-have’. They are closely linked and build upon each other. An economy-wide transition plan as well as a company transition plan can only be credible if aligned with the 1.5°C goal of the Paris Agreement and so a science-based approach (suggestion for Principle 1), including comprehensive targets covering Scopes 1, 2, & 3, is essential. Furthermore, for reporting to be transparent and verifiable, KPIs should be comparable (suggestion for Principle 2). Lastly, as nature plays an integral part in climate change mitigation, it should be considered explicitly in the key Principles.

18. Principle 1 notes that a transition plan should cover the whole organisation. There may be challenges for internationally active firms in meeting Principle 1, given that different jurisdictions will have different economy-wide transition pathways. How can the TPT design its standard and guidance in a way that accommodates credible transition plans consistent with the broader strategy of a firm, but reflects differences between approaches taken in different jurisdictions?

It is possible to mitigate requirements from different jurisdictions by asking for reporting in line with the upcoming IFRS/ISSB standards. This can be helpful in preventing entities from shifting activities offshore. Furthermore, the entity should be encouraged to disclose the location of their operations to which the transition plan applies as well as any climate and environmental targets or reporting standards to which the rest of the operations are subject.

19. Do you agree with the proposed Elements? Why or why not?

We agree with the proposed transition plan Elements, and in our view the proposed framework represents a well-structured, comprehensive approach. We are particularly supportive of the emphasis on engaging stakeholders across value chains, and on the inclusion of non-climate related KPIs. Our response to this question reflects an opportunity to streamline the structure, while our responses to Q20 outline areas where we see a need to include additional clauses.

Perhaps the key component that a transition plan needs to provide is information about the overall emissions reduction trajectory, steps the company is taking, the associated emissions reductions associated with each step, the effort invested in these steps, and how they deliver in aggregate to the entity targets.

Therefore, we suggest to **emphasise and create an Action Plan section based on several Elements that represent these steps**. These elements should be structured across Scopes 1-3, and be presented in an accessible table, with parameters defined by the TPT. **We envisage the current Elements sitting in Management Activities and Plans, Internal Policies, and Products and Services fitting in this section.**

20. Are there any Elements that you would add to the list below? Why?

While we are very supportive of the proposed Elements, we recommend additions in four areas:

- 1) **Nature** – Recognising the need to tackle climate change and loss of nature in tandem, and the associated interdependencies, we highly recommend:
 - **Ambition & target setting** – We recommend entities 1) assess their nature-related risks and opportunities, 2) set targets to reduce emissions through land use change and deforestation, and 3) scale up nature-based solutions. This is the first step towards net zero nature positive reporting. Many entities already report on nature goals beyond those that contribute to mitigation.
 - **Carbon removal certificates and their credibility / integrity** – We recommend clear guidance on the role of voluntary carbon markets, off-setting and nature-based solutions in line with the latest best practice. Following science-based guidance, offsetting should not count towards reaching net zero. WWF has outlined key Principles in the *Blueprint for High-Quality Interventions that Work for People, Nature and Climate (2021)*.
 - **Non-climate related KPIs** – We suggest all entities to publicly report key metrics used to measure and manage nature-related impacts with regards to transition activities based on individual circumstances. Metrics from TNFD, CDSB, GRI, SBTN or the [WWF Basket Metric](#) for food sector actors may be useful. As part of the phased approach, this lays the foundation for further integration of nature towards an integrated, nature positive framework.
- 2) **Action Plans** – This combines several pre-described Elements (see: Q19). We would suggest:
 - **Define clear action measures** – To make action plans comparable, we suggest requiring the disclosure of a simple table in each transition plan, specifying the measures an entity is taking, and the contribution each measure is expected to towards its targets.
 - **Assess nature-related risks, dependencies and opportunities** – Entities should disclose their such risks and opportunities to mitigate them, and put in safeguards to manage nature risks and harms of net zero activities on nature.
 - **Ensure measures clearly deliver on targets** – Decarbonisation measures must deliver in aggregate to interim and long-term targets.
 - **Assure delivery** – Investment and resourcing dedicated to each measure will play a significant role in successful delivery. We would recommend encouraging entities to disclose the percentage of total business capex and opex invested in specific measures as well as whether there is an executional committee linked to the planned measures.
- 3) **Ambition & Target Setting** – We recommend the minimum requirements of planned ambition and target-setting activities including:

- Alignment with latest science-based targets and require interim and long-term targets for **all three Scopes**, in line with the [Business Pathway to True Corporate Climate Leadership](#) (WWF, 2022), with absolute emissions recorded as a priority
- Ensure targets are qualifiable by a **third-party verification** body including baseline and reported progress metrics
- **Include scenario disclosure** (in line with TCFD) as well as an explanation for the use of scenario selected. Alignment assessment must be based on multiple scenarios (i.e., warming function) as this improves accuracy in an entities' overall temperature rating by drawing from a broader set of data
- Include potential risks to achieving the targets
- Disclose ambitions and targets related to nature impact and risks

4) **Metrics & Monitoring Progress:** We would tighten requirements on reporting in three areas:

- Share GHG KPI's for each Scope with absolute emissions prioritised over intensity metrics.
- In progress reporting, share explanations of why any targets are unlikely to be met, as well as steps taken to address this
- Verify reports with qualified third-parties

21. Which of these Elements would you regard as 'must-haves' or as 'desirable' for credible transition plans? In which instances should an entity assess materiality to determine whether an Element is considered must-have and/or what level of disclosure detail is required?

We consider Elements contributing to the **right level of ambition** as 'must-haves':

- Target setting should not focus on greenhouse gas emissions alone and, in line with the phased approach, targets should include the **impact on nature** as far as this is possible
- Target should be aligned with widely applied latest **science-based target-setting and reporting standards** (e.g., SBTi aligned)
- **The scope of an entity's activities** that are covered in the transition plan should be clearly defined

We also consider Elements contributing to the **credibility of the plan** as 'must-haves':

- **Minimum requirements** to be formulated for the use of carbon markets in achieving net zero
- **Decarbonisation measures and corresponding activities must deliver in aggregate** to reaching the interim targets, and **interim targets should aggregate** to reaching the total target. Investment required for the activities as well as accountability for reaching the targets should be clearly stated

- Prescribed reporting metrics should be **quantified and consistent over time and across entities**. This enables the comparison of transition plans by external stakeholders. For nature-related metrics, the ambition should be to work towards a comparable reporting framework.
- Plan (target and baseline) as well as periodic reporting should be verified by a qualified **third-party**
- The plan should demonstrate **coherence with other entity strategies** as well as specific entity policies (e.g., nature conservation policy)

22. Are there Elements where you see substantial barriers to implementation? If so, which ones and why? Are you able to suggest alternatives which are both credible and practical?

We have identified five potential barriers to implementation. These barriers relate to achieving comparability of action plans, availability of qualified third parties for verification, keeping up with continuously evolving scientific requirements, overlooking a significant proportion of the economy (i.e., postponed roll-out to SMEs), and accountability. Apart from these general barriers, establishing the right capabilities and capacity for implementation within entities will be challenging. However, for all these barriers, credible and practical mitigations are available.

Achieving comparability of action plans

- Reaching comparability in both reporting metrics as well as in transition plans could be challenging as entities differ substantially between and within sectors. Therefore, the list of obligatory **progress reporting and target metrics** should be composed in such a way that it is applicable for all entities, with a complementary list of sector-specific metrics. For nature-related metrics and targets we propose a phased approach working towards an integrated Framework and starting with what is already in place. This implies that the TPT could begin with reporting metrics that are already developed and continue to build on them as nature reporting further matures.
- Defining **decarbonisation measures** across entities and maybe even across sectors could lead to force-fitting an unsuitable framework to an entity. This could be prevented by creating sector-specific non-binding guidance on recommended transition measures, instead of prescribing the measures a company should report on.

Qualified third-party verification

- To ensure credibility of the transition plans, qualified third-party verification is important. Verification needs to assess whether plans meet the prescribed requirements as well as the accuracy of metrics reported.

- Only qualified providers should be permitted to verify transition plans, but a diversity of providers has benefits too. Therefore, the TPT should share prerequisites for these parties as well as provide guidance on verification standards. Potential parties that could verify transition plans should have qualifications to do so. In the near-term, the market for specialised verification of this kind may be sub-scale, so any forthcoming legislation should allow for lead time before making third-party verification obligatory.

Continuously evolving decarbonisation and ESG reporting requirements

- The sustainability reporting field is rapidly evolving. Science-based targets are aligned with the latest science and will continue to evolve. As we argue TPT targets should be aligned with a science-based approach, and that entities should be able to ramp-up transition activities as the scientific need becomes more urgent.

Overlooking significant proportions of the economy

- The TPT will rightly focus on larger entities first during roll-out, but there is a danger significant parts of the economy, for example SMEs, are overlooked with this approach. In some sectors, such as agriculture and retail, SMEs form a sizeable share of the market – and in the case of agriculture have an outsized impact on emissions and nature. We therefore recommend that a minimum viable product version of the TPT guidance is developed and launched so that SMEs can also participate.

Accountability

- Disclosing transition plans is an important step towards assuring decarbonisation. However, it may be worth considering different models of accountability for entities to meet their targets, rather than purely publishing their plans. At this point, the TPT leaves it up to the scrutiny of the market to hold the reporting entities accountable. However, for the transition plan Framework truly to be effective, other mechanisms may be worth exploring.