**Consultation on Requirement to Disclose Business Transition to Net Zero**

**Background**

The Government agreed at COP26 last year to increase the requirements for listed businesses to report their plans for achieving net zero. It set up the Transition Plan Taskforce (TPT) within the Treasury to deliver the new regulations. The TPT is co-chaired by Treasury Minister John Glen and includes financial and reporting experts to advise on development of the new regulations.

The TPT plans to work with industry to develop frameworks which will provide guidance to businesses on compliance. There are likely to be two frameworks for retailers, a generic non-sector one and a more specific one on retail. We are talking to the TPT to understand what role our [Climate Action Roadmap](https://brc.org.uk/climate-roadmap/) which most BRC members are signatories could play in satisfying the retail sector framework. This consultation concerns the generic framework which would apply to every business.

This consultation will help the TPT produce a draft framework of non sectoral guidance for final consultation at the end of 2022 before publication in 2023 when the first reporting will be required in 2023. This paper gives a short commentary on the key elements of the consultation and the questions, if you want to read the full consultation it is available [here](https://transitiontaskforce.net/wp-content/uploads/2022/05/TPT_Call_for_Evidence.pdf).

We need your comments to respond to the consultation by **6 July 2022.**

**Definition of Good Transition Plans**

The Government recognises many businesses and organisations are already disclosing how they plan to reach net zero. It is keen in the framework to build on this best practice, but is conscious there is no agreed definition on what best looks like. In its work with financial institutions it has used the definition below in guidance and proposes that as a starting point for discussion

“A transition plan sets out how an organisation will adapt as the world transitions towards a low carbon economy. It should 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), b) interim milestones, and c) actionable steps the organisation plans to take to hit those targets.”

This definition may evolve as the work of the TPT develops.

Consultation Questions

* **Do you agree with the proposed definition of a transition plan? If not, why, and**
* **what alternative definition would you suggest?**
* **From your perspective, who are the key users of transition plans?**
* **From your perspective, what are the key use cases for transition plans?**

**Mandate and Role of the TPT**

The consultation asks for feedback on the role and objectives of the TPT. The TPT has been established for a 2 year period to establish the detail of regulation and guidance to assist companies comply. As well as the steering group drawn primarily from the financial sector, its secretariat is planning to reach out to relevant parts of the economy to discuss specific sector guidance and structural issues relevant to net zero transition. Due to retail’s importance in achieving net zero (30% of household emissions from products bought in retail) we believe it should be one of the key sectors and we have already reached out to the TPT for a discussion on how we can influence their output.

To deliver its work it is proposing 4 workstreams

• Workstream 1: A Sector-Neutral Framework for private sector transition plans and accompanying guidance on the role of governance and assurance, third-party verification, and the implications of organisational transition plans for reporting.

 • Workstream 2: Sectoral Transition Plan Templates with associated guidance on targets and metrics for financial sub-sectors and key real economy sectors. These will be sector-specific add-ons that build on the Sector-Neutral Framework.

 • Workstream 3: Recommendations on how to simplify the assessment, comparison, and interpretation of transition plans by users, how to enhance the capacity of users to effectively use transition plans, and how to enhance the capacity of preparers to produce accurate, robust, and accountable transition plans.

 • Workstream 4: A technical workstream that will address cross-cutting topics that straddle different workstreams. Topic-specific sub-groups will be established on an ad hoc basis over the TPT’s lifetime.

Consultation Questions

* **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? 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 economywide decarbonisation? Why?**
* **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?**
* **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?**

**International Collaboration**

The consultation recognises there is already significant reporting and development of reporting happening around the world, particularly in the financial sector. It is keen to build on the best practice that may already be in place. It is keen to build on that best practice and to avoid duplicating it; the TPT is liaising with some of those initiatives, for example the Glasgow Financial Alliance for Net Zero (GFANZ).

The consultation invites comments on these initiatives.

Consultation Question

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

**Sector Neutral Framework**

This consultation is focused on the generic, non sector framework which will apply to every business, alongside specific sector frameworks. It will have guidance on how companies should plan for net zero and required disclosure which will drive decarbonisation.

The TPT suggests the framework should have the following components

* The definition of a transition plan;
* Principles that should guide preparers of transition plans and provide a reference point for users seeking to understand the credibility of disclosed plans;
* Key elements that any private sector transition plan should cover, regardless of the

sector of the preparing organisation

* Accompanying guidance on the role of governance and assurance, third-party

verification, and the implications of organisational transition plans for reporting

It recognises detailed guidance on targets and metrics is likely to be in the sector specific plans.

The consultation wants to know how prescriptive the guidance in the framework should be. It is also interested in the disclosure process itself, whether the reporting should be part of annual financial reporting or be more standalone.

Consultation Questions

* **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.**

* **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?**

* **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?**

* **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 proposed by the TPT address these**

**concerns?**

* **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?**

**Principles**

The consultation considers the principles of disclosure which will be the most effective. It draws on existing initiatives such as the Greenhouse Gas Protocol to identify these principles. Similar to our own Roadmap the consultation encourages greater emphasis on forward-looking plans and how they can be practically implemented.

Bringing this together the consultation suggests three principles to establish a credible plan

* Align with an economy-wide net zero transition. The plan should aim to meet the 1.5oC target by 2050. The plan should be comprehensive across the whole business
* Focus on concrete actions which emphasise the near-term and are backed up by clear governance mechanisms. The plan should have clear delivery plans over the next 3-5 years with milestones integrated into the business strategy.
* Enable periodic reporting and verification in a transparent manner. The business should set and verify clear KPIs to demonstrate progress

Consultation Questions

* **Do you agree with the proposed principles? Why or why not?**
* **Are there any principles that you would add to the list above? Why?**
* **Which of these principles would you regard as ‘must-haves’ or as ‘desirable’?**
* **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?**

**Elements**

As well as the principle, the consultation considers the detailed elements which should appear in the framework as guidance to businesses. Within this they want to strike a balance in terms of the information presented. They also want to ensure there is consistency in terms of metrics across different sectors of the economy. TPT has looked at existing guidance frameworks such as CDP and identified 11 elements which are

* Ambition – overall objective and interim targets
* Target setting – Baselines, basis of targets, alignment and verification
* Management and plans – incorporation in business strategy and financial plans, action plan for implementation
* Internal policies – company strategy to embed plans
* Products and services – innovation of products and services
* Engagement of value chains
* Engagement of public sector
* Engagement of industry peers – work through BRC and alignment with our roadmap
* Metrics and Monitoring – defining KPIs for GHG, financial and business to achieve net zero
* Skills, Incentives and Accountability – ensuring the business has the skills and incentives to deliver progress
* Governance, Roles and Responsibilities – Board oversight, exec team responsibilities and reporting to external stakeholders

Consultation Questions

* **Do you agree with the proposed elements? Why or why not?**
* **Are there any elements that you would add to the list below? Why?**
* **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?**
* **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?**