

Newsflash

Launch of the final Transition Plan Taskforce Gold Standard for Transition Plans

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The Transition Plan Taskforce has published their [Disclosure Framework](#), designed to give best practice in the creation and publication of transition plans.

Background

In October 2021 at COP26, the UK Government announced its aim to become the world's first net-zero aligned financial centre, and parallel to that, launched the Transition Plan Taskforce ("TPT"), a group of industry experts tasked with developing "gold standard" guidance for transition plans.

On 9th October 2023 following a period of consultation, the TPT launched its transition plan Disclosure Framework, designed to provide firms with guidance on good practice in the creation and disclosure of their transition plans.

Summary of Guidance

The framework promotes good practice directed by 3 guiding principles: Ambition, Action and Accountability.

Ambition: Reflecting the urgency to act

The TPT recommend that an entity takes a "strategic and rounded" approach to its transition plan, ensuring they consider strategic actions that protect and enhance the long-term value for the stakeholders, society, the economy, and the natural environment. To achieve this, the TPT recommends that a firm considers 3 factors when designing a transition plan:

- decarbonisation of a firm's own operations and value chain,
- responding to climate-related risks and opportunities, and
- contributing to an economy-wide transition.

The TPT recommend clear disclosure of the assumptions used to help address the risks of setting plans that are too optimistic or misleading. This can also be mitigated through ensuring transition plans are reflective of the latest scientific research and commitments made by national and international governments.

Action: Translating strategic ambition into concrete, short-term steps

Ambitious objectives and priorities should be translated into short-, medium-, and long-term steps, with a clear roadmap of actions a firm will take to meet its strategic climate ambitions.

The TPT have recommended firms consider their scope 1, 2 and 3 emissions, and that they prioritise direct abatement over use of carbon credits in meeting their decarbonisation targets. Firms should consider the sensitivity of its plan to changes in key assumptions and ensure appropriate resourcing for their planned actions.

Accountability: Enable delivery through robust governance and reporting

Delivery of a transition plan should be fully integrated into the firm’s organisational processes, with clearly defined roles and responsibilities for the delivery and oversight of the plan. The plan should also be regularly reviewed and updated to ensure it remains appropriate in light of any new information or developments.

Importantly, the TPT has recognised the limitations that currently exist in the availability and quality of climate data and have made these recommendations principles-based as a result. This will allow firms to evolve their plans and their ambitions over time, particularly in the more challenging areas of transition planning. Alongside the Framework, the TPT have developed “The Transition Planning Cycle”, which provides various steps firms may take in the evolution of their transition plans.

The TPT has built upon the transition plan disclosures developed by the International Sustainability Standards Board (“ISSB”) and components identified by Glasgow Financial Alliance for Net Zero (“GFANZ”), and have identified the following 5 key elements of good practice in transition plans:

Ambition	Foundation	Disclosure of the strategic climate ambition of the transition plan, including the firm’s commitments in reducing Greenhouse Gas (“GHG”) emissions, implications of the plan on its business model and value chain, and assumptions made associated with these objectives.
Action	Implementation	Short-, medium-, and long-term actions the entity is taking within its business operations, products and services, and policies to achieve the strategic climate ambition of its transition plan.
	Engagement Strategy	Disclosure of a firm’s engagement strategy including an explanation of how engagement activities are prioritised, a description of planned engagement and escalation processes, and expected contributions of its activities towards achieving its strategic climate ambition.
Accountability	Metrics & Targets	Disclosure of the governance, business and operational, financial and GHG metrics and targets. This includes targets set or required by law, timelines, reviews, and yearly progress updates. Firms should also disclose how they plan to use carbon credits.
	Governance	How the entity is embedding its transition plan within its governance structures and organisation, including illustrating how the culture, training and incentives and remuneration align with the strategic climate ambition.

What happens next?

The FCA currently requires listed companies and large asset owners to disclose transition plans on a “comply or explain” basis. However, at COP26 and within their publication [Mobilising Green Investment: 2023 Green Finance Strategy](#), the UK government stated its intention to announce requirements for the UK’s largest companies to disclose their transition plans.

The FCA plans to consult on updating their current TCFD-aligned disclosure rules for listed companies to refer to the ISSB standards in the first half of 2024. The TPT Disclosure Framework has been designed to support reporting in line with the ISSB’s IFRS S2, which requires firms to make disclosures specific to transition planning. Alongside this consultation, the FCA plans to also consult on guidance setting out their expectations for listed companies’ transition plan disclosures, which will reference the TPT’s disclosure framework. The FCA then envisage finalising their policy position by the end of 2024, with new requirements coming into force for accounting periods from 1 January 2025.



Given the above, we believe it's likely the industry will see mandatory transition plan requirements in the future, making it vital for those who have not yet started their transition planning process to start investigating their roadmap to a robust transition plan now, and for all firms to consider how they may adopt the framework going forward.

However, there are a number of other reasons for firms to consider their plans and adopt this guidance in advance of mandatory regulations. Adopting the guidance will help firms to better understand and manage their risks, driving firms to assess the actions that can be employed to reach targets set and helping the business to ensure they are not only resilient to current risks, but also the emerging risks of climate change. Setting targets without a clear and actionable plan of how these will be achieved may leave firms more exposed to the litigation risks associated with not meeting these targets or making commitments that can't be met. Following the TPT's disclosure guidance will also help firms to ensure that they can evidence how they will manage and action their net-zero transitions, mitigating the risks of misleading customers and investors.

With many insurers currently in the process of constructing or refining their transition plans, we believe this framework will help to provide a useful benchmark for firms. At Hymans Robertson, we have been working with insurers on the development of their transition plans, setting net-zero transition strategies, scenario modelling and compliance with TCFD and other climate-related regulatory requirements. If you are interested in any of these topics, or you would like to discuss climate change, sustainability or any of the above further, please [get in touch](#).

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