
Response to DESNZ consultation on transition plan requirements

17 September 2025

Introduction

The Association for Financial Markets in Europe (“**AFME**”) welcomes the opportunity to respond to the UK Department for Energy Security and Net Zero (“**DESNZ**”) consultation seeking views on implementation routes for transition plan requirements (the “**Consultation Paper**”), which is a key area of focus for AFME members.

AFME welcomes the government consulting on implementation routes for transition plans and the opportunity to provide further input to the UK government’s approach. As policymakers and regulators continue to consider standards and requirements for climate transition plans, AFME is keen to continue engagement to share our members’ observations and experience.

Section A: The benefits and use cases of transition plans

- 1. To what extent do you agree with the assessment of the benefits and use cases of transition planning set out in Section A? Are there any additional benefits or use cases for transition plans? Do you have any further insights and evidence on the purpose, benefits and use cases of increased and improved transition planning—including economy-wide impacts?**

AFME broadly agrees with the assessment of benefits and use cases of transition planning set out in Section A. Transition plans can be valuable for banks from multiple perspectives. Corporate transition plans can provide valuable information for banks to understand the decarbonisation trajectories of their clients, engage with them to understand their transition strategies and identify potential needs or opportunities for financing, including the provision of transition finance.

It is crucial however to acknowledge that transition plans alone will not alter the economic conditions necessary to make real economy transition activities commercially viable. The implementation of transition plans is not solely under the control of the company but depends on other factors, including government policy. It is therefore important that the government continues work to put in place supporting policies, including setting out transition pathways for key sectors and technologies, along with the necessary policy tools to facilitate the transition.

Any incremental transition planning requirements should be carefully integrated with sustainability-related disclosures made under the UK Sustainability Reporting Standards (“**UK SRS**”). UK SRS S2 already includes disclosure requirements on transition planning. Specifically, entities are required to disclose material information about any climate-related transition plans they have, including their assumptions and dependencies. These requirements are grounded in financial materiality and allow entities to retain flexibility in shaping their transition strategy according to their specific business model, sector, and context. In AFME’s view, this framework provides a sound baseline for transition plan disclosures. Any additional requirements should be introduced only where there is clear evidence of added value beyond what the UK SRS already delivers, and where the costs to preparers remain proportionate.

As preparers of transition plans, it is important to consider the application to global financial institutions. Careful consideration is required as voluntary frameworks are translated into legal requirements. AFME

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strongly supports the statement by the Transition Finance Market Review emphasising the importance “to ensure transition planning is viewed as a wider component of business strategy, rather than only as a compliance and disclosure obligation”. We agree that it is important to embed transition planning at the strategic level. Transition plan disclosure requirements should provide enough flexibility to account for the fact that each company’s business strategy with respect to the Net Zero transition will need to be tailored to its particular business model, size, geography, and other unique factors. The aim should be to provide clarity to investors while avoiding prescriptive measures that dictate companies’ global business strategies.

Businesses must feel able to set out their strategy without undue concern over incurring legal liability or reputational risk, which could potentially reduce the level of ambition and/or detail provided. Flexibility is required where circumstances change, particularly where these are outside the control of the business. Businesses must also balance comprehensive disclosure with competition and confidentiality concerns, as they do with financial reporting. Finally, it is important to sequence transition plan disclosures between non-financial and financial institutions, as financial institutions will need information from their clients’ transition plans to inform their own disclosures.

It is essential that requirements are clear, interoperable, and work for international businesses. Banks currently face challenges in navigating a plethora of initiatives. We therefore welcome efforts to ensure interoperability between transition planning frameworks and in particular emphasise the need for subsidiaries to be able to rely on a parent’s group report.

3. For users of transition plans: How do you use transition plans? E.g. if you are an investor, do you use transition plans to inform your investment strategy (both in terms of how you identify opportunities where to invest, and how you identify, manage and assess risks to investment portfolios)

AFME members use the information contained within transition plans to identify opportunities to support their clients’ decarbonisation journeys, and as a reference point for engagement with their clients to help them articulate their decarbonisation strategy. Transition plans can also provide AFME members with information to track progress towards decarbonisation targets and identify clients’ vulnerabilities to transition risks. Transition plans can help identify external variables and key dependencies which impact a client’s emissions pathway.

4. Do you have any reflections on the additional costs and challenges of using transition plans? Please provide evidence where available to support your answer.

The need for comprehensive and flexible transition plans is understood and supported; however, there are costs that need to be considered. These costs include hiring additional staff or reallocating existing personnel to focus on transition planning, engaging with external consultants for expert guidance, and securing external assurance to validate the robustness and compliance of the plans.

5. Do you have any reflections on how best to align transition plan requirements with other relevant jurisdictions?

AFME strongly supports continued efforts to improve alignment of transition plan requirements across jurisdictions. We support the government’s proposed approach of transition plan disclosure requirements being aligned and interoperable with the IFRS S2 standards. We encourage the government to continue to work with its counterparts to avoid fragmentation and duplication of requirements, in particular for global groups. This would align with the government’s growth and competitiveness agenda.

As noted throughout this response, it is essential that multinational firms should be able to set a transition

plan at group level and to avoid fragmented requirements applied across jurisdictions. AFME therefore encourages the UK government to also engage with the EU as it reviews transition planning requirements. AFME has been engaging with the EU with respect to its proposed “Omnibus” changes to the EU Corporate Sustainability Reporting Directive (“**CSRD**”), and Corporate Sustainability Due Diligence Directive (“**CSDDD**”), including with respect to transition plans. We have been highlighting the challenges with mandating implementation of transition plans, and the Omnibus proposals are expected to remove or at least soften the previous requirements to implement transition plans.

Section B: Implementation options

6. **What role would you like to see for the TPT’s disclosure framework in any future obligations that the government might take forward? If you are a reporting entity, please explain whether you are applying the framework in full or in part, and why.**

We welcome the work of the TPT to establish a gold standard disclosure framework for transition planning. The International Sustainability Standards Board’s (“**ISSB**”) June 2025 guidance¹ on disclosures about transition plans draws heavily from the TPT disclosure framework. Some members have found the TPT disclosure framework to be a helpful resource as they have developed their transition plans. In this context, we believe the TPT disclosure framework is well placed to serve as non-binding guidance that complements the UK SRS S2 requirements. Retaining its status as guidance will allow firms the flexibility to apply its principles in a manner proportionate to their business model and transition strategy, while supporting high-quality and decision-useful disclosures.

As a best-practice framework, the TPT disclosure framework sets a high bar for companies and includes a significant number of detailed requirements. AFME members are concerned that integrating the TPT disclosure framework into any future obligations would not provide sufficient flexibility in their transition plans and would create unnecessary additional burdens on banks, which would ultimately have knock-on effects regarding the ambition of transition plans. We therefore consider that any reference to the TPT disclosure framework should remain as voluntary best practice guidance.

The FCA has taken this approach in its reform of the listing regime. The FCA’s reformed listing rules, as announced in July 2025, require in-scope equity issuers which have a published transition plan to include a summary of the transition plan in the prospectus. In this case, the FCA notes that the TPT disclosure framework “*may be of assistance in identifying the relevant information to be disclosed*” in summaries of transition plans.²

Members have concerns that, should the UK government move forward with introducing the TPT disclosure framework as a requirement beyond non-binding guidance, this could create significant implementation challenges and create misalignment between the UK and other jurisdictions such as the EU, which could create interoperability challenges and could put companies subject to the requirements and their clients at a potential competitive disadvantage.

7. **[Climate mitigation] To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is preparing for the transition to net zero? If you believe the draft UK SRS S2 does not provide sufficient information, please explain what further information you would like to see.**

As outlined in the Consultation Paper, UK SRS S2 includes several disclosure requirements concerning existing and anticipated mitigation and adaptation efforts within a company’s operations or its value chain,

¹ IFRS Foundation, [Disclosing information about an entity’s climate-related transition, including information about transition plans, in accordance with IFRS S2](#).

² See Item 5.8.3 of the FCA’s Prospectus Instrument published in [PS25/9, New rules for the public offers and admissions to trading regime](#), July 2025.

such as changes to production processes or relocating facilities. UK SRS S2 also requires disclosure of the resilience of an entity's strategy and its business models to climate related risks. Whilst the UK SRS S2 does not explicitly require the disclosure of a transition plan, it requires the disclosure of material information that is related to a company's climate mitigation strategy. This provides decision-useful information and a strong baseline for climate-related disclosures, offering a good range of information that supports transparency and comparability. The planned adoption of SRS S2 will also aid interoperability of UK and international standards.

8. [Climate adaptation and resilience] To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is adapting and preparing for the transition to climate resilience? If you believe IFRS S2 does not provide sufficient information, please explain what further information you would like to see.

As outlined in the Consultation Paper, UK SRS S2 includes several disclosure requirements concerning existing and anticipated mitigation and adaptation efforts within a company's operations or its value chain, such as changes to production processes or relocating facilities. UK SRS S2 also requires disclosure of the resilience of an entity's strategy and its business models to climate related risks. Whilst the UK SRS S2 does not explicitly require the disclosure of a transition plan, it requires the disclosure of material information that is related to a company's climate adaptation and resilience. This information serves as a helpful and appropriate baseline for companies to provide useful information regarding their transition plans, without being overly prescriptive.

Section B1: Developing and disclosing a transition plan

9. What are the most important, decision-useful elements of a transition plan that the government could require development and/or disclosure of? Please explain why and provide supporting evidence.

When assessing a transition plan, AFME members consider the information disclosed to be more useful than the form in which this information is provided. Members therefore do not believe that mandating the disclosure of specific elements of a transition plan is necessary for the purposes of gathering decision useful data. Please also see our response to question 10, below. AFME members have noted that the most important, decision useful elements of a transition plan include (1) a clearly articulated strategic ambition and governance structure; (2) an implementation strategy that includes sector-specific actions and interim milestones; and (3) transparent and, as far as possible, standardised metrics and targets; together with information concerning: current emissions, emissions trends, analysis on likely future emissions pathway, other dependencies on future emissions reduction and / or specific climate pathway alignment (including policy changes), and current/planned business strategy responses to deliver an emissions pathway.

10. Please state whether or not you support Option 1, which would require entities to explain why they have not disclosed a transition plan or transition plan-related information. Please explain the advantages and disadvantages of this option.

As discussed above in Section A, AFME emphasises that it is important that transition plan requirements provide sufficient flexibility for preparers and that transition plans remain a strategic planning tool rather than a compliance exercise. AFME members broadly support the proposed strategic approach, outlined in Option 1, to transition planning and the proposed guiding principles of delivering sustainability-related financial information that is decision-useful for investors, whilst ensuring that regulation in this area does not become unnecessarily burdensome. AFME also welcomes the government's ambition to enhance integrity and trust in the sustainability-related information produced for financial markets. AFME Members are keen to

ensure that investors have the material information they need about a company's sustainability-related risks and opportunities.

For these reasons, AFME supports Option 1, which would supplement the disclosure requirements under UK SRS S2 with an obligation on companies to require entities that have not published a transition plan or disclosed transition plan-related information in accordance with UK SRS S2, to explain why that is the case. Aligning the UK requirements with the ISSB and UK SRS S2 will ensure global harmonisation of transition plan requirements. The requirement to explain why a company has not adopted a transition plan would provide additional information and support engagement by investors.

As noted above, transition planning is ultimately a strategic exercise. If the development of a transition plan remains voluntary, this allows companies to keep their transition plans or transition plan-related information ambitious and sufficiently flexible, allowing them and their clients to adapt and pivot depending on the changing commercial landscape. It would also avoid imposing additional burdens on those companies for which it is not material. This will enable transition plans to remain decision-useful to investors, which AFME members agree would contribute to a healthier UK sustainable finance market and support economic growth.

11. Please state whether or not you support Option 2, which would require entities to develop a transition plan and disclose this. Please further specify whether and how frequently you think a standalone transition plan should be disclosed, in addition to transition plan-related disclosure as part of annual reporting? When responding, please explain the advantages and disadvantages of this option.

As discussed in our answer to question 10, AFME supports Option 1 rather than Option 2. AFME members note that Option 2 would provide less flexibility to companies, give rise to greater interoperability challenges and could risk becoming a compliance exercise instead of a regime that supports meaningful change across the sector, while potentially adding little to the disclosures already set out in UK SRS S2. It could also add burdens for those companies for which it is not material.

Global firms take a global approach to transition planning. An approach, such as the one contemplated in Option 2, could result in international banking groups needing to produce individual transition plans under different frameworks for each of their subsidiaries or for each jurisdiction in which they operate, which does not fit the business model of international banks. This fragmentation could lead to inefficiencies and increased administrative burdens, detracting from the overall goal of cohesive and effective transition strategies. Option 1 would reduce these concerns by providing greater flexibility for international firms to explain where a subsidiary is covered by a group transition plan.

Additionally, and as already noted above, AFME members have expressed concerns that Option 2 could lead to the UK regime going further than requirements in other jurisdictions, which would cause additional difficulties for global firms and make the UK regime unnecessarily burdensome. Such discrepancies between jurisdictions could create competitive disadvantages and complicate compliance efforts for firms operating internationally. There are also concerns about the territorial scope of any obligation such that activities conducted outside the UK should not be in scope of any requirements. It is imperative that the UK retains its position as a financial services hub by enabling firms to rely upon the strategies, targets and metrics provided at group-level.

We therefore recommend that the government pursues Option 1 rather than Option 2. No members support mandatory development and disclosure of transition plans at this stage. A few members see merit in potentially moving to Option 2 on a phased basis, starting with a comply or explain approach. This would

allow firms to adapt as market practice evolves, supplemented by a review after three years, enabling the Government to consult on introducing mandatory transition plans (Option 2). This consultation should be subject to market maturity, the requirements relating to transition plans in other jurisdictions and whether the UK's competitiveness would be impacted, and the further international political context. Such consultation should carefully consider the added value of disclosures beyond UK SRS 2, as well as the substance and scope of additional requirements. It is essential that this is accompanied by relevant real-economy policy measures.

Should Option 2 be adopted in the future, it would be important that firms be afforded flexibility in how they disclose their transition plan information, including the option to publish as standalone documents or integrated within existing reporting cycles. This flexibility would allow organisations to tailor disclosures to their operational and strategic contexts, while still meeting transparency expectations. It is also important in light of the legal risks discussed in our answer to Question 27 below.

12. If entities are required to disclose transition plan-related information, what (if any) are the opportunities to simplify or rationalise existing climate-related reporting requirements, including emissions reporting, particularly where this may introduce duplication of reporting? These responses will support the government's review of the non-financial reporting framework.

There is significant opportunity to simplify or rationalise existing climate-related reporting requirements, including emissions reporting. Members strongly support the government aligning any requirements with the ISSB standards and UK SRS S2. If there are any incremental transition planning requirements beyond this standard, these should be carefully integrated with sustainability-related disclosures made under the UK SRS S2.

Section B2: Mandating transition plan implementation

15. To what extent do you support the government mandating transition plan implementation and why? When responding, please provide any views on the advantages and disadvantages of this approach.

16. In the absence of a legal requirement for companies to implement a plan, to what extent would market mechanisms be effective mechanisms to ensure that companies are delivering upon their plan?

AFME does not support the government mandating transition plan implementation. We are concerned that this would (i) interfere with companies' business strategy; (ii) give rise to significant liability concerns, undermining the purpose of transition plans as a strategic tool; (iii) risk disincentivising companies from setting ambitious plans, thereby reducing the intended benefits; and (iv) put UK-based companies at a competitive disadvantage internationally.

We do not consider it appropriate for the government to mandate companies to implement transition plans. This would constitute undue direction over business strategy, reducing the attractiveness of the UK. It would also complicate oversight of transition plans if obligations were to extend beyond disclosure, as these plans have a wide range of dependencies outside of a bank's or company's control. Members note that sectoral decarbonisation pathways are continually changing due to factors such as technological advancement. Therefore, mandating implementation against previously established sectoral pathways could stifle innovation and be anti-competitive.

Members are concerned that mandating implementation of transition plans would create legal risks and liability concerns. Implementation of transition plans is subject to dependencies, many of which are outside the control of the individual company. If implementation were mandated, companies might be restricted in what they disclose, as they would be forced into a more cautious approach due to liability concerns. This could

stifle innovation and limit the intended benefits of transition plans, as companies might focus more on compliance rather than ambitious and transformative strategies. By allowing market mechanisms to drive accountability, companies can maintain flexibility and creativity in their transition planning, ultimately leading to more effective and impactful outcomes.

AFME believes that the disclosure of transition plans is ultimately for the benefit of investors. When companies disclose transition plans to the market, they are scrutinized, and investors expect reports on progress. This market-driven accountability is ultimately more productive than mandating them in law, as it encourages companies to be proactive and transparent in their transition efforts.

We are also concerned that an obligation to implement a transition plan would put the UK at a competitive disadvantage internationally. The European Commission has recognized challenges regarding imposing legal obligations to implement transition plans and this is currently being reviewed in the EU.

For these reasons we do not believe that mandating implementation of transition plans would be in line with the government's growth and competitiveness agenda.

Section B3: Aligning transition plans to net zero by 2050

17. What do you see as the potential benefits, costs and challenges of government mandating requirements for transition plans that align with Net Zero by 2050, including the setting of interim targets aligned with 1.5°C pathways? Where challenges are identified, what steps could government take to help mitigate these?

AFME does not support the introduction of a requirement for entities to develop and disclose a plan that is aligned with net zero by 2050 including setting interim targets aligned with 1.5C pathways. Even if this was combined with "best efforts" or "reasonable efforts", this would not address our concerns. As we have seen in discussions on this point in the EU, members have significant concerns with any obligations and it is unclear what "best efforts" or "reasonable efforts" would entail in practice.

There is significant subjectivity in translating a mandatory temperature target into metrics that can be used by banks or other legal entities. In addition, a temperature target is a non-static target, as what is required to meet the 1.5C target will change each year to reflect the erosion of the global carbon budget, further complicating both the implementation of a climate transition plan and in demonstrating progress year on year. Given that sectoral decarbonisation pathways are continually evolving due to technological advancements and other dynamic factors, mandating implementation based on previously established sectoral pathways could inadvertently stifle innovation and prove to be anti-competitive.

The rapid pace of technological progress means that new, more efficient methods of reducing carbon emissions are constantly emerging. By rigidly adhering to outdated pathways, organizations may be discouraged from exploring innovative solutions that could lead to more effective and sustainable outcomes. This rigidity could also create barriers to entry for new market participants who might offer novel approaches to decarbonisation.

Furthermore, enforcing compliance with static pathways may limit the flexibility needed for companies to adapt to sector-specific challenges and opportunities. It is essential to foster an environment that encourages experimentation and the adoption of cutting-edge technologies, which can drive competition and lead to more significant advancements in sustainability.

In addition, and as mentioned in the Consultation Paper, there are also significant legal challenges for organisations in relation to aligning their transition plans to 1.5C pathways. AFME members are unclear on how a mandatory target will be enforced, or the potential legal liability/reputational risk multi-national firms might be exposed to if they fail to meet the target. It is important to recognise that the balance sheets of many

banks are a reflection of the wider economy. Delivery on transition objectives also depends on factors outside of a company's control—such as policy developments, enabling infrastructure, technological innovation, and shifts in consumer demand. Should the wider economy fail to transition, banks will find it highly challenging to meet their targets as a result, which could result in banks disinvesting from UK assets.

Further challenges include navigating diverse regulatory environments and managing the implications of implementing comprehensive transition strategies across multiple jurisdictions which may have different pathways to Net Zero. Setting overly ambitious or unrealistic transition targets also has significant implications for access to finance, particularly for firms operating in hard-to-abate sectors or emerging markets. These companies may face structural limitations—such as slower regional policy development, gaps in low-carbon technologies, or broader economic constraints—that make near-term alignment with global climate goals challenging. If financial institutions are expected to prioritise or exclusively fund businesses aligned with specific climate scenarios, many viable companies may be excluded from financing, not due to financial weakness but because of their inability to meet prescriptive climate criteria. This could be counterproductive to the UK's transition finance ambitions, as it may constrain capital flows from the very sectors and regions where investment is most needed to enable decarbonisation. A balanced, pragmatic approach is needed—one that supports credible transition planning while recognising practical limitations and fostering inclusive access to finance.

We recommend that, rather than prescribing that the plan must be aligned with a particular temperature increase, transition plans should disclose whether a target has been set, whether this target is scientifically viable, and explain *how* the entity will contribute to decarbonization objectives. AFME members support alignment with the ISSB standards and UK SRS S2, which would give companies the flexibility to disclose targets if they have one. This approach ensures that transition plans remain decision useful.

While referencing a benchmark target could improve comparability and ease the assessment of credibility of transition plans, flexibility in choosing a benchmark is crucial to allow entities to tailor their transition strategies to their unique circumstances and capabilities. Entities operating in multiple jurisdictions can use this flexibility to choose the appropriate benchmark for their global commitments. This global perspective ensures that transition strategies are comprehensive and aligned with overarching transition objectives, while also accommodating regional specificities.

We also strongly encourage the government to continue work to set out climate transition pathways, which would provide greater clarity for firms. Quantifying alignment with a long-term goal such as Net Zero by 2050 is challenging to do with certainty given the amount of variables over that time period. The government should instead first focus on supporting companies to assess alignment, rather than mandating disclosure on alignment at this stage. They could achieve this by developing sectoral pathways, which would enable companies to understand alignment with the government's long term goal with greater confidence. Clear pathways help guide entities in aligning their strategies with national and international climate goals, promoting consistency and coherence in transition efforts.

Section B4: Climate adaptation and resilience alignment

21. What is your view on the role of climate adaptation in transition plans? Is there a role for government to ensure that companies make sufficient progress to adapt, through the use of transition plan requirements?

AFME members do not support the government using transition plans as a way to mandate progress, as transition plans are not the appropriate tool for this. The government should instead focus on working with relevant sectors on adaptation and resilience.

Adaptation and resilience are becoming an increasingly important consideration in addressing the impact of

climate change as the global economy transitions. Financial institutions recognise the importance of adaptation and resilience efforts across the economy, particularly as the physical impacts from climate change are increasing. The financial sector is working on building out robust physical modeling to assess impacts to their business operations and potential transmission to financial risk exposures as a result of adaptation measures, or lack thereof. Similarly, financial institutions are providing financing for real economy adaptation activity, to the extent that it is occurring. To date, real economy adaptation activity is still in early stages, and there are limited opportunities to provide finance.

In addition to the need to focus on progress with relevant sectors, there are also conceptual challenges with taking the climate mitigation-based model and applying it directly to adaptation. It is important that the mitigation objectives behind climate transition plans are not conflated with other objectives such as climate adaptation. While we recognize there are interactions between the pace of decarbonization and the need for adaptation as a result of physical risks from climate change, the two goals require different considerations.

Additionally, the physical effects of climate change and the resulting adaptation needs are company, asset, and location-specific. Many investments in adaptation will need to be taken at the municipality or broader level. More work is needed in the physical risk space to understand adaptation measures and the degree to which they can be valued by firms. Much of this will be dependent on work happening in the insurance community with respect to how adaptation measures will impact the cost and availability of insurance. Some members support the integration of climate adaptation into transition plans, but further work and consideration is needed. Therefore, adaptation-specific transition plan requirements should not be the focus at this stage. Starting with target-setting will not drive progress towards the intended goal of scaling up adaptation measures and financing. There must be a business case for taking these actions and enabling conditions, as noted above.

Governments have a role to play in giving signals to the real economy as to what is needed, and by when. It is far more beneficial for this to happen first, before looking to transition plans to set out specific targets.

22. How can companies be supported to undertake enhanced risk planning in line with a 2°C and 4°C global warming scenario? Are these the right scenarios? To what extent are these scenarios already being applied within company risk analysis and how helpful are they in supporting companies in their transition to climate resilience?

The PRA's proposed updates to its supervisory expectations on managing climate-related risks, as set out in its recent Consultation Paper 10/25 comprehensively addresses the need for ongoing development of climate risk capability, and already sets out clear supervisory expectations for effective risk management practices for banks. These requirements are comprehensive and ambitious, already covering areas such as governance, risk management, and climate scenario analysis.

Therefore, to the extent that the government is considering any requirements in the context of this consultation, it could reference, but should not duplicate, requirements which banks are already subject to.

Section B5: Nature alignment

23. To what extent do you think that nature should be considered in the government's transition plan policy? What do you see as the potential advantages and disadvantages? Do you have any views on the potential steps outlined in this section to facilitate organisations transitioning to become nature positive?

Nature should not be considered in the government's policy given the nascent nature of metrics currently. We note that the PRA has not introduced regulation on the issue for similar reasons.

Nature is far more complex than climate and may require more time to provide more robust disclosures. Firms should be given adequate time to produce appropriate reporting without additional compliance burdens. Given the complexity of nature disclosures, AFME members agree that any standards should be voluntary.

As with transition plans, nature would also benefit from sectoral pathway development to help support firms in taking science-backed actions with a clear substantiated outcome. Significant amounts of data already exist, and there is already work ongoing such as the work done by TNFD and ISSB to produce viable, consistent metrics which can be used across industry. Therefore, as with transition plans, the government should prioritise solving data gaps, along with producing data that is decision useful.

Members also agree that due consideration should be given to introducing requirements to integrate nature into risk management frameworks more broadly than just within transition plans.

Section B6: Scope

- 24. Do you have any views the factors the government should consider when determining the scope of any future transition plan requirements?**
- 25. We are interested in views about the impact on supply chains of large entities that may be in scope of transition plan requirements. Do you have views on how the government could ensure any future requirements have a proportionate impact on these smaller companies within the supply chain?**
- 26. Do you have any views on how the government could redefine the scope to protect the competitiveness of the UK's public markets?**

In line with determining an approach to defining the scope of UK SRS requirements, the government should consider the ultimate users of information disclosed in a climate transition plan. Users of financial information are predominately focused on the group reporting conducted at ultimate parent company level. This is particularly the case for global organisations which organise their transition planning at a group-level covering multiple entities across different jurisdictions. We also believe the scope of a reporting entity for sustainability-related financial disclosures should be aligned with the scope for general purpose financial reporting of that entity – i.e. a consolidated accounting group would not be required to disclose separately the GHG emissions by associates and joint ventures.

Should the government introduce additional transition plan requirements beyond the UK SRS, we would support proposals to align the scope with the proposed scope of the UK SRS. Members support further alignment with the UK SRS as the reference to “*UK-regulated financial institutions*” can be interpreted very broadly and would likely go beyond the intention of this consultation. Therefore, the reference to “*economically significant*” companies is more helpful, as long as this is applied to financial services organisations. To avoid unnecessary complexity and reporting burdens at subsidiary level, AFME strongly recommends that subsidiaries should be allowed to rely on climate transition plans prepared by the ultimate parent. It would be helpful if the government could clarify under Option 1 that this is one example of where a legal entity may choose not to have a climate transition plan.

AFME members have also noted that it is important that the government considers sequencing when considering matters of scope. Whilst we generally support disclosures, banks (and other financial institutions) have a dependency on high-quality transition planning data being available from our clients (as was the case with TCFD). Therefore, when regulators consider timelines around mandatory disclosure, they should consider this dependency on data and ensure that this is available and useful to financial institutions.

To ensure that future requirements have a proportionate impact on smaller companies within the scope of this consultation by virtue of being a part of the supply chain of an in-scope company, the government could consider implementing tiered or scaled requirements based on company size and capacity. This approach would allow smaller entities to comply with transition plan requirements without facing undue burdens, thereby supporting their continued competitiveness and growth. Additionally, the government could provide guidance and resources to assist smaller companies in developing and implementing transition plans. This support could include access to expertise, financial incentives, and educational programs to enhance their capabilities and facilitate compliance.

Section B7: Legal risk

27. Do you have views on the legal implications for entities in relation to any of the implementation options and considerations as set out in sections B1-B4 in this consultation?

28. In the UK's wider legal framework what – if any - changes would be necessary to support entities disclosing transition plans and forward-looking information?

Disclosure of transition plans

Businesses must feel able to set out their strategy without undue concern over incurring legal liability or reputational risk, which could potentially reduce the level of ambition and/or detail provided. It is crucial for entities to have the freedom to articulate their transition strategies comprehensively and innovatively, without the fear of legal repercussions stifling their efforts.

Businesses must also balance comprehensive disclosure with competition and confidentiality concerns, as they do with financial reporting. This balance is essential to protect sensitive information that could impact competitive positioning while ensuring transparency and accountability in transition planning.

As a business strategy document, transition plans will vary widely across companies, industries, sectors, and economies. Certain requirements may lead to an obligation to report commercially sensitive information, for instance, in relation to the transition plan's contribution to business operational plans, and could give rise to competition law, commercial, and confidentiality concerns. To the extent that transition plans form part of annual reporting, the disclosure regime should expressly provide that nothing within the transition plan disclosure requirements should be understood to require disclosure of commercially sensitive information, and be drafted in sufficiently broad terms to allow entities to present information, within the confines of the transition plan requirements, at a sufficiently high-level, or in aggregated form, so as not to constitute commercially sensitive information. This would provide companies with a sufficient safe harbour to ensure that their information remains safe and aligns the transition plan requirements with the TPT disclosure framework. Additionally, safe harbour provisions would need to be supported by broader mitigants, e.g., appropriate disclosures of dependencies and assumptions, use of disclaimers, etc. A safe harbour should be used as a solution to an otherwise stringent regime of mandated disclosure, alignment or implementation.

Given the forward-looking nature of the information and inherent assumptions related to transition plan disclosure, it is important that the inclusion of a transition plan in a company's existing annual reporting disclosures does not expose the reporting company to undue liability or legal risks. The information captured under transition plans contains forward-looking projections that are highly speculative and could present liability and legal risks if included in the annual report. Additionally, large, multinational firms will face difficulties navigating complex and varied ESG regulations across multiple jurisdictions. Under a mandatory transition plan disclosure regime different legal exposures may arise, directly or indirectly, in different jurisdictions. For example, a disclosure within the UK could lead to legal liability in the US. These risks, along with the fact that an increased level of disclosure brings an increase in legal liability more generally, could

deter companies from making ambitious plans due to fear of legal repercussions, ultimately stifling innovation and progress in transition efforts.

If the government were to legally require transition plan disclosure in the annual report, this may have an adverse effect on capital markets, including affecting capital formation and capital markets efficiency. Issuers might seek to avoid the liability risks associated with disclosing a transition plan as part of a standalone issuance or annual reporting. This could lead to reduced investment and innovation in transition efforts, ultimately hindering progress towards decarbonization goals.

In the listing context, although we welcome the FCA's decision to make transition plan summaries and climate-related disclosures eligible for protected forward-looking statements ("**PFLS**") as part of its listing reforms³, we have previously raised concerns that the prescriptive nature of the regime for PFLS may de facto exclude some types of information commonly disclosed in a transition plan from qualifying as PFLS.⁴ We recommend that as part of its forthcoming consultation on strengthening expectations for transition planning, the FCA more closely calibrates the PFLS regime to include the types of information which would be disclosed as part of a transition plan, including through UK SRS. Rationalising the PFLS regime with the disclosure of transition plans for listed companies would support entities disclosing transition plans and forward-looking information.

Whilst we appreciate the FCA's recent work on this area in PS25/9, it is important to provide clarity on the legal regime governing transition plans and transition plan-related disclosures. Presently, firms are subject to an uncertain legal regime, which makes disclosures a potentially high-risk area. Clear guidelines and legal frameworks would provide certainty and reduce the risk associated with transition plan disclosures, encouraging entities to pursue ambitious and effective transition strategies.

Companies should be incentivised to have a sufficiently ambitious transition plan and should not be forced to take a more conservative approach due to fear of legal liability. Incentives could include legal protections, safe harbours, or other mechanisms that mitigate liability risks while promoting bold and innovative transition planning. At a minimum we consider that it would be appropriate to clarify that transition plans fall within the scope of the existing section 463 safe harbour for forward looking disclosures.

Implementation of transition plans

As set out above, we have significant concerns regarding the legal implications of any obligation for companies to implement a transition plan (see our answer to question 15 above). Several uncertainties will impact a company's ability to deliver on their transition plan, and many of these will be outside of their control. It is important to recognise that the balance sheet of a bank is generally a reflection of the wider economy. Failure for the wider economy to transition, will likely result in the failure of a bank in meeting its target.

Firms would also face a potential risk of litigation as a result of regulatory action or other sanctions for failing to implement a transition plan. For example, section 90/90A claims (or other group actions, such as in the Competition Appeal Tribunal) are usually brought on the back of these sorts of sanctions. Firms could face greenwashing claims should their transition plan be regarded as misleading or unsubstantiated due to a failure to implement. These factors could cause companies to become extremely conservative when setting goals, steps and targets out of a fear of legal liability and regulatory implications.

Alignment with net zero by 2050

As set out above (see question 17-20) we also have concerns regarding the legal implications of prescriptive requirements regarding alignment with a particular decarbonisation pathway or target, given the wider

³ See Item 8.1.4(1) of the FCA's Prospectus Instrument published in [PS25/9, New rules for the public offers and admissions to trading regime](#), July 2025.

⁴ For more information on our concerns with the PFLS regime, please see [UK Finance-AFME response to CP 24/12: Public Offers and Admissions to Trading Regulations regime](#), responses to questions 44-46.

uncertainties that may impact the ability to deliver on these targets. For example, alignment of transition plans may require such ambitious targets that firms would be exposed to risks of allegations of misrepresentation, particularly innocent representation. Even if these claims are vexatious or unviable, organisations and individuals often bring these against companies to make a point or bring awareness to a cause. This can have significant negative repercussions for firms, even if any such claims are eventually struck out. In particular, such litigation is necessarily time-consuming, expensive, and reputationally damaging.

Section C: Related policy and frameworks

29. What role could high integrity carbon credits play in transition plans? Would further guidance from government on the appropriate use of credits and how to identify or purchase high quality credits be helpful, if so, what could that look like?

Members have noted that carbon credits will play a vital role in transition plans to reach net zero. As such, we believe it is important to provide information on the extent of use of carbon credits to reach decarbonisation targets and to provide information on the quality and nature of these credits. CSRD, for example, requests additional info on the same topic.

About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-European and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

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