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Department for Energy Security and Net Zero

Department for Business and Trade

Department for Work and Pensions

Transition plans requirements: implementation routes

About Pensions UK

Pensions UK is the voice of pensions in the UK, trusted and heard by government and the pensions industry. For more than 100 years, we've delivered influential thought leadership, practical guidance and research for our members; pro-actively solving the sector's biggest issues and setting the future direction. As a not-for-profit organisation, we exist for the benefit of our members, and to deliver the best possible outcome for savers in the UK, so they can retire in confidence and with dignity. We're the voice of pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest more than £2 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures.

Introduction

Pensions UK welcomes the Government's commitment to, "make the UK the green finance capital of the world, mandating UK-regulated financial institutions – including banks, asset managers, pension funds, and insurers – and FTSE 100 companies to develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement." Policy interventions are crucially important drivers of real-world decarbonisation. The commitment represents a vital step towards achieving this, and ensuring the UK remains a global leader in sustainable finance.

Each of the policy options explored in the consultation document present their own benefits and challenges to pension schemes. However, Pensions UK are eager to

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stress that the ultimate policy decision must not result in generic, tick-box disclosures. We must avoid transition plans becoming compliance exercises with little investment relevance, which the Government may risk if it does not set out clear expectations with robust frameworks.

The Government should look to build on TCFD as an earlier framework for climate reporting. However, when designing mandatory transition plan disclosure rules, the government should avoid the mistakes of TCFD by ensuring that requirements are sequenced logically along the capital chain (companies first, then asset managers, then pension schemes). Otherwise, later disclosures will lack a reliable foundation.

Pensions UK's members express broad support for the proposed requirement for entities to develop and disclose transition plans, but more clarity will be required to determine whether this should be achieved through mandation or a comply or explain policy design. We also highlight the EU's phased approach as an important reference point, which involved a gradual shift from the comply-or-explain approach towards mandation.

On the other hand, our members express clear support for the existing Transition Plan Taskforce (TPT) as the most effective framework for implementing the transition plans disclosures. For whichever policy options are ultimately chosen, we urge the Government to seek cross-party consensus. Political stability and long-term certainty will be crucial in giving investors the confidence to plan strategically and make investment decisions that are aligned with decarbonisation. Consensus across the different Government departments will also be key to ensure consistency of approach across the different regulatory spheres.

Pensions UK's Strategic Ambition

Pensions UK welcomes the introduction of transition plans as a positive development for the climate and sustainability reporting landscape in the UK. Transition plan requirements are about disclosing credible strategies for change rather than solely focus on risk transparency (as per TCFD reporting). TCFD reporting has been incredibly successful in enhancing pension scheme governance and oversight, increasing transparency and accountability and improving communication with pension scheme members. But, the introduction of transition plans has the potential to move the dial on climate reporting, evolving from backwards looking risk management to forward looking accountability. This is a crucial point for pension schemes, which are long-term investors with fiduciary duties, and for whom the effectiveness of climate disclosures is not just about transparency, but rather meaningful action.

In addition to TCFD reporting, pension schemes are already engaging with climate risk through Statements of Investment Principles (SIPs). Any new requirements should build on this foundation by providing forward-looking information that is able to effectively support investment decision making and aids trustees in the fulfilment of their fiduciary duties and capacity to engage effectively with investee companies.

We believe that the proposals set out in the consultation document are a welcome starting point in achieving this. Transition plans have the potential to be a powerful tool for driving tangible decarbonisation, but only if the requirements are embedded within a coherent, streamlined reporting framework that supports informed investment decisions. Transition plans view climate action as a financial stability issue, rather than just a sustainability issue. The proposals in the consultation therefore also present an opportunity to streamline climate reporting.

Pensions UK's ambition is to see a reporting system that works for pension schemes: one that is consistent, decision-useful, and proportionate. We want to avoid a fragmented landscape of overlapping requirements and instead move toward a model that integrates transition plans with broader sustainability disclosures, such as the UK Sustainability Reporting Standards (UK SRS). This can be a key moment to rationalise the climate reporting regime, we urge the Government to use this opportunity to build a framework that supports long-term investment, effective stewardship, and better outcomes for savers and society.

Considerations

While Pensions UK are broadly supportive of the proposals in the consultation paper, we would like to highlight several areas where more clarity is needed. We welcome that the consultation is open-ended, offering multiple policy options. This presents a genuine opportunity to shape policy that is fit for purpose and grounded in the realities of the market. Following the consultation, we urge the Government to quickly set out a clear and detailed plan for the next steps in the development of transition plans, to mitigate a risk of fragmentation until a clear direction of travel is set.

Related to this are questions about scope and long-term consistency. The consultation focuses on large firms and regulated financial institutions, which risks leaving SMEs and private companies behind. While we understand that is possibly a phasing approach, we would like to see a plan for how SMEs and private companies will be supported to integrate over time. The Government may wish to consider the EU's phased approach as an important reference point for this (our response further explores the EU's approach below). We believe it is

crucial that further work is done to explore whether, and how these organisations are eventually included within the transition plans requirements given their role in supply chains.

Mandation vs. comply-or-explain

Pensions UK believes it is vital that the Government understands the implications of each of the measures proposed in the consultation. We recognise that the policy is still in its formative stages and that the final design will need to reflect a range of practical, legal, and strategic considerations. With that in mind, our response sets out a balanced assessment of the strengths and limitations of each approach, to support the Government in designing a framework that is proportionate, effective, and capable of driving good outcomes. Below is a table evaluating each approach:

	Benefits	Drawbacks
Comply-or-explain	<ul style="list-style-type: none"> • The comply-or-explain approach may offer flexibility, especially for firms at different stages of transition planning. Companies at different levels of readiness can explain non-disclosure, which may reduce greenwash from rushed, low quality plans. • This approach reduces the immediate compliance burden and may encourage voluntary leadership. • This approach may be more proportionate for smaller entities. 	<ul style="list-style-type: none"> • This approach risks weak or superficial disclosures — entities may simply explain away non-compliance. • This approach may undermine stewardship, as investors have less leverage if investees are able to effectively opt out of disclosure. • If firms are not required to produce standardised data, there is a risk of creating inconsistency and data gaps across the market, undermining comparability and investor confidence. Existing voluntarily disclosed transition plans vary hugely in quality, depth and presentation. • A more relaxed approach may not be

		<p>enough to drive the scale and speed of change needed to meet net zero goals.</p>
Mandation	<ul style="list-style-type: none"> • Mandation could create a baseline standard for reporting across sectors, driving consistency, comparability and accountability across the market. • Ensuring consistency of data may allow for consistent digital formats and online accessibility, in turn enabling aggregation and comparison, as well as easier integration with AI tools. • This approach would send a strong signal to investors and the wider economy about the seriousness of the UK's transition ambitions. • This approach may support better capital allocation and stewardship by pension schemes. • Mandation will maintain a level regulatory playing field, which will remove market distortion and remove any potential barriers to listings, ensuring that there is no incentive to 	<ul style="list-style-type: none"> • Mandation may cause higher operational and compliance costs, which may disproportionately impact smaller firms and those without existing capacity. • Mandation risks duplication with other existing frameworks unless carefully designed. • There is a low risk¹ that mandation could expose entities to legal action if expectations are not clearly defined or if plans are treated as binding commitments. • Mandatory plans could encourage rushed, box-ticking disclosures lacking credible financial detail. • Learning from TCFD: if sequencing along the capital chain is misaligned, later disclosures will lack reliable foundation.

¹ [Transition plan disclosure a climate and market imperative, not a legal trap, say lawyers | ClientEarth](#)

	move high-emitting assets into less transparent markets.	
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The Government recognises that the information from transition plans has the potential to be transformative for pension funds in supporting governance bodies and trustees and managers to integrate financially material risks and opportunities into their investment considerations, therefore enabling better informed decisions. Specific mandatory disclosure recommendations may aid investors, as they facilitate peer-to-peer comparisons. Looser regimes can make peer comparisons prohibitively challenging. Pensions UK echoes this reasoning, and it is in this sense that mandation may be seen as the favourable option.

Our members express broad support for the proposed requirement for entities to develop and disclose transition plans but more clarity will be required to determine whether this should be achieved through mandation or a comply or explain framework. As demonstrated by the table above, there are several drawbacks to mandating the development of transition plans.

The case for mandation centres on consistency, comparability, and accountability. Mandatory reporting, particularly for larger, in-scope entities or those in carbon-intensive sectors and the financial sector, ensures that disclosures are comprehensive, standardised, and aligned with exposure to transition risks and opportunities. This approach facilitates peer comparison for investors and prevents the reporting regime from becoming too loose to be useful. Some suggest that mandatory plans could be rolled out on a phased basis, with safeguards, time allowances, and flexibilities built in. Differentiation between core and advanced disclosures could also help balance ambition with proportionality.

However, mandation also has drawbacks. It may cause disproportionately higher operational and compliance costs for smaller firms and could expose firms to legal risk (albeit low) if transition plans are treated as binding commitments. Moreover, mandation does not guarantee credible disclosures. Instead, it may encourage rushed, “box-ticking” exercises that risk perpetuating greenwashing, particularly among firms with little prior experience of disclosure.

By contrast, the comply-or-explain approach could offer greater flexibility and proportionality. It may reduce reporting burdens for smaller or less material entities and allow capacity building over time. Importantly, the approach would still require firms to engage with the idea of transition planning, forcing them to consider and

reject an option before explaining why - which helps avoid box-ticking exercises. Comply-or-explain may also be more appropriate at an early stage, when requirements are still being defined and proportionality is not yet clear.

Overall, mandation provides clarity, comparability, and investor confidence, particularly in material sectors. Comply-or-explain, meanwhile, offers flexibility, reduced burdens, and a more practical route for entities with limited resources or less material exposure. A balanced path may lie in phased implementation: mandatory requirements for larger or higher-risk entities, alongside a comply-or-explain regime for smaller or less material organisations, with a clear trajectory toward fuller disclosure over time.

EU phased approach

In light of this, the Government may wish to consider the approach adopted by the EU as an important reference point. This involved a gradual shift from the comply-or-explain approach towards mandation. The EU's experience with transition planning offers valuable insights into how a phased approach can support effective implementation while managing complexity and capacity constraints. Through instruments like the Corporate Sustainability Reporting Directive (CSRD), the EU has adopted a staggered timeline for mandating transition plan disclosures — starting with large public interest entities and gradually expanding to smaller companies and non-EU groups. This has allowed regulators and market participants to build capacity, refine guidance, and address interoperability challenges before full implementation.

Importantly, the EU has recognised the need to simplify and streamline requirements as part of its “Omnibus” reform package, which aims to reduce duplication and improve coherence across reporting frameworks, cutting down on the need for additional disclosure formats. This reflects a key lesson: mandation must be accompanied by clarity, support, and coordination across governance levels — from EU-wide regulation to Member State implementation and entity-level reporting. However, the Omnibus also presented a number of challenges which the Government should consider. For example, the danger of rolling back on rules, weakening transparency and stifling ambitions for sustainable finance.

The EU's phased approach has also highlighted the importance of vertical and horizontal alignment. Transition planning requirements are being embedded across multiple policy tools — including reporting (CSRD), due diligence (CSDDD), and prudential regulation — with efforts underway to harmonise these frameworks. This systemic integration helps avoid fragmentation and ensures that transition plans

are not developed in isolation, but as part of a broader strategic planning process. Sequencing will again be a key issue here, and lessons should be learnt from TCFD implementation. In a UK context, this could look like alignment with reporting through UK SRS, stewardship requirements for asset managers, and prudential regulations via the PRA and FCA.

For the UK, a phased approach could allow time to build capacity, develop guidance, and ensure coherence across departments and frameworks. It would also help avoid the pitfalls of premature mandation, such as boilerplate disclosures or regulatory overload, while still signalling ambition and direction. For pension schemes, a phased approach would need to be underpinned by clear guidance, practical tools, and a realistic implementation timeline. Proportionality will be key, particularly for schemes with limited internal resource or those relying on pooled investment vehicles.

Definition of 1.5°C ‘alignment’

While Pensions UK are supportive of the Government’s proposal to consult on design choices for potentially aligning transition plans to net zero by 2050, we urge the Government to provide clarity on what ‘alignment’ means in practice. Without a clear definition, expectations may be unrealistic or inconsistent. Pension schemes are concerned about the feasibility of alignment, especially where investee companies operate in hard-to-abate sectors or emerging markets. There must be room for ‘best efforts’ and recognition of sectoral and jurisdictional differences.

In practice, this could include, for example, setting out clearly the areas where government policy and action by other actors is required to meet the Paris ambition, expected changes in the real economy, and the levers the company is using to influence those constraints and dependencies. These inclusions will together show the plan’s degree of alignment to Paris Agreement goals and the level of alignment the company can achieve through its own action. Alignment with 1.5°C should also be tempered by flexible wording, to capture the material risk that IPCC projections move to 2°C or 3°C by 2100.

Framework Alignment – TPT vs. UK SRS

The Government faces a clear challenge in determining the most effective framework for transition plan disclosures. The Transition Plan Taskforce (TPT) framework is ready to go and widely recognised as best practice, offering flexibility and strategic depth. However, it may not deliver consistently across the market, particularly for users like pension schemes who rely on standardised, decision-useful information. A more prescriptive approach — potentially delivered through

the UK Sustainability Reporting Standards (UK SRS) — could offer greater consistency and comparability but would likely be more burdensome for preparers and risks being less adaptable to sector-specific contexts. Below is a table setting out the benefits and drawbacks of each approach:

	Benefits	Drawbacks
TPT Framework	<ul style="list-style-type: none"> • Strategic depth: The TPT framework is designed to support entities in articulating their strategic ambition, implementation plans, and governance structures. This makes it particularly useful for pension schemes seeking to understand how investee companies are positioning themselves for the transition. • Flexibility: It allows entities to tailor disclosures to their specific context, sector, and transition pathway, which is important given the diversity of business models and climate exposures. • International alignment: The framework is aligned with ISSB’s International Financial Reporting Standards (IRFS) S2 and other global initiatives (e.g. Glasgow Financial Alliance for Net Zero (GFANZ)), supporting comparability and interoperability across jurisdictions. • Investor relevance: The framework’s emphasis on ambition, action, and accountability aligns well with the stewardship priorities of 	<ul style="list-style-type: none"> • Voluntary nature: Without mandation, uptake may be uneven, and disclosures may lack consistency or completeness. • Variable quality: Entities may apply the framework selectively or superficially, leading to boilerplate reporting. • Limited assurance: Because the framework is not embedded in statutory reporting, it may not benefit from the same level of scrutiny or assurance as financial disclosures.

	pension schemes and asset owners.	
UK SRS, or equivalent prescriptive approach	<ul style="list-style-type: none"> • Consistency and comparability: A prescriptive model would ensure that all entities disclose a minimum set of information, improving comparability across sectors and portfolios. • Regulatory clarity: It reduces ambiguity about what constitutes a credible transition plan, which is helpful for both preparers and users. • Supports assurance and enforcement: Prescriptive requirements can be embedded in statutory reporting, enabling oversight by regulators and assurance providers. 	<ul style="list-style-type: none"> • Risk of rigidity: A one-size-fits-all approach may not accommodate sectoral differences or evolving best practice. • Compliance burden: Prescriptive requirements may be resource-intensive, particularly for smaller entities or those with limited capacity. • Potential for duplication: Without careful integration, prescriptive disclosures could overlap with existing frameworks (e.g. TCFD, UK SRS), increasing reporting burden.

Pensions UK’s members are clear in their support for the TPT framework. The TPT framework is widely regarded as a high-quality and influential initiative. When it was announced in 2021, it was pioneering and demonstrated UK leadership, helping to shape the development of transition plans across many companies. The

framework's alignment with other international initiatives, such as the IFRS sustainability standards and the GFANZ guidance, further strengthened its credibility. Since the TPT's fixed term ended, its materials have been transferred to the IFRS Foundation, which has begun releasing related guidance on transition planning, providing continuity within the evolving global disclosure landscape.

A key reason for supporting the TPT framework is its consistency and alignment with international standards. Given the global nature of the UK economy and the international operations of many of its largest companies, alignment with frameworks such as the IFRS standards is seen as critical to reducing friction for firms operating across multiple jurisdictions. For this reason, some argue that the TPT's framework should be embedded within the IFRS process, rather than given a separate formal role in the UK, which might risk divergence from other jurisdictions. At the same time, there is recognition that the TPT framework provides a valuable resource for UK policymakers and regulators, offering a clear and consistent standard for transition plan disclosures.

The framework is also valued for supporting investor decision-making and effective management of climate-related risks. Its adoption would help avoid the confusion that might result from the introduction of a new framework at this stage, helping to ensure clarity for companies and comparability for investors. Pension schemes in particular note the importance of the framework's flexibility, given the limits of their control over underlying investments. While too prescriptive an approach could increase reporting burdens and reduce value, greater comparability and clarity would be welcomed for larger entities, such as master trusts, where reporting is less onerous.

Finally, the framework is already recognised and used voluntarily by many companies and investors. Its alignment with IFRS S2 and GFANZ further strengthens its role as a harmonised standard. Without it, divergence in transition plan content could undermine the benefits of standardisation. The TPT's mapping of its framework against IFRS S2, now hosted by the IFRS Foundation, provides reassurance that it comprehensively addresses these issues and will continue to play a meaningful role in the disclosure landscape.

Policy coherence

Pensions UK are supportive of the Government taking action to introduce transition plans. However, our members are concerned about the perceived lack of coordination across leading and engaged Government departments. We understand that there are a number of Government departments engaged in the work and that

each will have their own input; it is therefore crucial that they are aligned in their thinking.

For pension schemes, the perceived fragmentation is creating confusion and risks undermining confidence. We would welcome the Government establishing a cross-departmental taskforce or coordination mechanism to ensure coherence.

Transition plans in the context of related policy issues and frameworks

UK SRS

Please refer to Annex 1 for Pensions UK's response to the Department for Business and Trade's consultation *Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2*.

Nature

Pension schemes are becoming increasingly aware of the financial risks associated with biodiversity loss and nature degradation but need clearer guidance, therefore we would like to see nature take a more developed role within the transition plans proposals. We would welcome a clear roadmap from Government on how nature-related disclosures — including transition plans — will evolve over time, and how these will align with frameworks like TNFD. For example, the Government could encourage/require entities to build their capabilities to incorporate relevant nature-related risks and opportunities into their transition plan over time. This could be done through reference to the TNFD guidance on nature transition planning once finalised.

Conclusion

Overall, Pensions UK celebrates the Government's ambition to introduce a requirement for transition plan disclosure, which represents a vital step in driving real-world decarbonisation and ensuring the UK remains a global leader in sustainable finance. We also welcome the opportunity to help shape policy; transition plans must be credible, strategic, and designed to drive real-world impact. However, we continue to call for a more coherent and streamlined approach to policymaking which is coordinated across the different government departments; it must be clearer how the transition plans requirements form part of the wider climate reporting landscape, and what changes, if any, we can expect to see to other parts of that landscape to ensure that the introduction of transition plans is effective and meaningful.

Importantly, pension schemes vary in size, governance and investment approach. Any regime that requires the disclosure of transition plans must account for this by allowing flexibility and proportionality. Ultimately, Pensions UK's vision for a successful and effective transition plans regime sees the disclosure of plans which are credible, comparable, decision-useful and support long-term investment and real-world decarbonisation.

Pensions UK welcomes the opportunity to respond to this consultation. For any further information or questions, please contact George.dollner@pensionsuk.org.uk

Annex 1: Exposure draft of Sustainability reporting standards UK SRS S1 and UK SRS S2

In this annex, Pensions UK are electing to provide a short response to the Department for Business and Trade's consultation *Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2*. Pensions UK broadly supports UK SRS and its alignment with ISSB standards. However, the Government must be clearer on how the two frameworks will integrate with each other. If the frameworks are not harmonised, there is a risk of duplication. There is a clear opportunity here for the Government to streamline policy across not just the UK SRS and transition plans, but also across TCFD, SIPs, SECR. The consultation also confirms that DWP will review pension scheme reporting and consider UK SRS. There is a clear need for DWP to coordinate with DESNZ and DBT to avoid fragmentation. We urge the Government to move towards a simplified, coherent and policy framework that is coordinated across departments, to help ensure joined-up thinking and avoid duplication.

We are also concerned that SRS's financial materiality lens may not fully capture long-term systemic risks relevant to pension schemes. These risks — such as climate change, biodiversity loss, and social instability — may not be financially material to individual entities in the short term, but they are material to the long-term value of pension portfolios and the broader financial system. Pension schemes, as long-term institutional investors with fiduciary duties, require disclosures that go beyond entity-level financial impacts. They need information that supports stewardship, reflects systemic exposures, and enables alignment with long-term sustainability goals. We therefore encourage the Government to consider how UK SRS can be complemented by frameworks like transition plans which reflect the broader materiality needs of pension schemes and other asset owners, adding to the argument for coherence and simplification across the regimes.

The Government are establishing whether schemes are ready to report against UK SRS, especially on non-climate topics. In our response to the transition plans consultation, we emphasise that a phased introduction would allow schemes time to build capacity and develop their readiness. A phased approach should also allow for time to develop guidance for pension schemes.