Transition plan requirements: implementation routes

A public consultation issued by the Department for Energy Security and Net Zero

Comments from ACCA to the Department for Energy Security and Net Zero

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Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over 257,900 members and 530,100 future members in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

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GENERAL COMMENTS

ACCA welcomes the Department for Energy Security and Net Zero (DESNZ) consultation on transition planning requirements. We believe that transition plans are a critical tool in the delivery of net zero and wider sustainability goals. To be effective, such plans must be credible, actionable, and aligned with science-based targets - while also being proportionate and practical to implement.

Transition planning requirements are critical for advancing the UK's Modern Industrial Strategy as they support the shift toward a low-carbon, resource-efficient economy. Credible, forward-looking transition plans help businesses align with national climate goals, strengthen market confidence, and attract investment into future-focused industries critical to the UK's long-term economic resilience and competitiveness. Transition planning will be key to helping businesses and investors seize the opportunities presented by the net zero transition and achieve the UK's ambition to become a clean energy superpower.

We believe the UK is well positioned to lead in this area by building on global frameworks such as the IFRS Sustainability Disclosure Standards and the Transition Plan Taskforce (TPT) Disclosure Framework. These offer a coherent foundation to support both international alignment and interoperability—principles that ACCA consistently advocates for to avoid regulatory fragmentation and minimise reporting burdens, especially for multinational organisations.

ACCA recognises and appreciates that this consultation has been released alongside the exposure drafts for the UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2. We recommend that any transition plan requirements for measuring and disclosing climate-related risks and opportunities are grounded in UK SRS S2.

We recognise the increasing demand from investors, regulators, and other stakeholders for clear transition-related disclosures. To be able to assess their exposure and effectively allocate capital, investors need relevant, comparable, consistent, and decision-useful information about companies and their management of climate-related risks and opportunities. Clear transition-related disclosures are critical to enabling entities to access capital. This is particularly important in light of recent withdrawals by certain financial institutions from sustainable finance alliances—such as the Glasgow Financial Alliance for Net Zero—which have traditionally played

a key role in promoting standardisation and best practice. When developing transition plan requirements, it is essential for DESNZ to adopt a proportionate approach, particularly in relation to SMEs and entities in emerging market and developing economies (EMDEs). SMEs play a vital role in the net zero transition but face growing regulatory and reporting pressures. Supporting their capacity early on will be key to ensuring their long-term sustainability and contribution to climate goals. Similarly, entities in EMDEs often operate in distinct regulatory and market environments, which may not align with UK or international frameworks. Recognising these differences is important to avoid creating unintended barriers and to promote inclusive participation in the global transition.

We recognise the urgency of addressing the climate emergency and support the need for swift action. However, transition plan requirements must also reflect market realities, including current talent and skills shortages, as well as the potential impacts on the UK's market competitiveness and investment attractiveness. To be effective, these requirements should strike a balance—encouraging meaningful organisational change without imposing disproportionate administrative burdens, particularly where the costs of compliance may outweigh the benefits.

We welcome the opportunity to contribute to this important consultation.

In compiling this response, we have drawn on the following pieces of research:

- ACCA (in partnership with the International Federation of Accountants (IFAC) and PwC) released a report on the role of the CFO and finance function in the climate transition in 2023. The report assesses progress being made on emission plans and examines the role of finance functions in assisting their organisations in defining a pathway to a low-carbon future. The research was supported by a survey, roundtables and interviews with participation from just under 1,000 finance professionals from around the world. The majority (62%) of respondents were executives and just under half of the respondents were from small companies. 15% of respondents were from UK.
- ACCA published a policy and insights report on Weathering the storm: building resilience against climate disruptions in 2024. Data for the report

came from the ACCA Global Economic Conditions Survey of over 600 finance professionals from around the world.

While the findings of the reports above remain robust, it is important to consider that the survey results reflect the perspectives and conditions at the time of survey completion.

SPECIFIC COMMENTS

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?**

   We broadly agree with the assessment of the benefits and use cases outlined in Section A of the consultation. Transition planning is a critical tool for supporting long-term value creation, enhancing organisational resilience, and addressing systemic climate risk.

   Our recent research highlighted the following additional benefits and use cases:

   - **Strengthening internal governance:** When embedded effectively, transition planning clarifies ownership and accountability across the organisation.
   - **Improving access to finance:** Demonstrating a credible transition pathway can support access to green and transition finance and investment and other financing, including trade credit.
   - **Supply chain competitiveness:** Organisations with robust plans are more likely to be retained as suppliers by corporates subject to stricter sustainability requirements.
   - **Future-proofing skills:** Transition planning enables targeted workforce development and sustainability upskilling, which will be essential as disclosure expectations evolve.

However, despite these benefits and use cases, the research found significant gaps in uptake and clarity around drivers, particularly among SMEs and in certain geographies. [1]

2. **For preparers of transition plans: Does your organisation already produce, or intend to produce, a transition plan and disclose it publicly?**

ACCA has developed a path to net zero 2025-26 and will be moving on to the development of our transition plan next.

Some ACCA members are involved in preparing transition plans, particularly those in large organisations or regulated sectors. The responses to the next parts of this question reflect insights from our survey of c.1,000 finance professionals from around the world.

a. **[if yes] What specific drivers have motivated your entity or pension scheme to engage in transition planning?**

Key drivers cited by our survey respondents include:

- Anticipation of regulatory pressure.
- Investor expectations.
- Competitive positioning and reputation.
- Internal sustainability maturity and the presence of sustainability-dedicated roles.[2]

b. **[If yes] Based on your experience, do you have any reflections on the purpose, benefits and costs (e.g. additional FTE, setup costs, etc) of developing your own transition plan?**

Participants of our research cited benefits of:

- Improved data governance.
- Stakeholder engagement.
- Alignment across the business.

[1] the-role-of-the-cfo-and-finance-function-in-the-climate-transition.pdf
[2] the-role-of-the-cfo-and-finance-function-in-the-climate-transition.pdf

In addition to costs associated with:

- Consultancy support.
- Systems investment.
- Increased full-time equivalents (dedicated sustainability roles in finance). For example, 46% of respondents reported new finance positions created to support climate planning.

Medium-sized entities found planning more costly due to lack of in-house capabilities.[3]

c. [if yes] What specific challenges or obstacles (e.g., regulatory, organisational, market-related, guidance), if any, did or do you face in preparing your transition plan?

Participants of our research cited challenges and obstacles of:

- Lack of consistent, high-quality sustainability data.
- Limited internal capacity and cross-functional coordination.
- Unclear accountability — even in organisations with a plan, ownership is often fragmented.
- Inconsistent market signals and a weak regulatory mandate in some jurisdictions.[4]

d. [if yes] Did you make use of the TPT's materials (now managed by the ISSB), and if so, how? Were there any challenges in doing so? Are there any further pieces of guidance or support that you feel would be helpful?

We welcome the use of the TPT materials and encourage the disclosure framework to be used as a 'gold standard' for transition plans.

Many ACCA members have used it as a baseline, although application varies by sector and size. Applying all of the disclosure sub-elements, as set out

[3] the-role-of-the-cfo-and-finance-function-in-the-climate-transition.pdf
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within the TPT Disclosure Framework, is complex and resource intensive for companies.

e. **[If no] If no, what are the main barriers preventing your organisation from developing a transition plan? Please provide any evidence where available to support your answer.**

The main barriers articulated by participants of our research included:

- No clear business case or driver.
- Resource constraints and skills gaps.
- Complexity of requirements, particularly for SMEs.
- Uncertainty around regulation and reporting thresholds.[5]

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)**

   Among ACCA members acting in investor, analyst, or advisory capacities one use of transition plans was to identify climate risks and opportunities across portfolios. There is interest in benchmarking credibility and ambition of plans — especially around targets, governance, and capital allocation.

   However, lack of consistency and accessibility of disclosed transition plans currently limits their usefulness.[6]

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.**

   Our research found that key cost and challenge areas of using transition plans include:

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[6] the-role-of-the-cfo-and-finance-function-in-the-climate-transition.pdf

1. **Resource needs:** Most plans require internal restructuring or new hires, especially in finance and sustainability.
2. **Technology:** Many tech providers lack the systems to integrate sustainability and financial data effectively.
3. **Data quality:** Although improving, sustainability data is still far behind financial reporting standards in reliability and consistency.
4. **Skills:** sustainability capability gaps persist. Only a small proportion of Continuing Professional Development and onboarding currently integrates climate transition topics. [7]

To address the skills gap, ACCA has created a dedicated Sustainability Reporting Hub to house the rich library of sustainability reporting insights and guidance that ACCA has produced. For example, in the hub, users will find a series of explainer videos with the ISSB to support understanding and application of the IFRS Sustainability Disclosure Standards. We have also produced a guide to help entities get ready to report sustainability-related information. The guide was developed with proportionality in mind and structured around an eight-stage sustainability reporting cycle, which suggests a flow of process, technology and people-related activities to prepare for and manage sustainability reporting.

Alongside our webinars and conferences, we also offer a wide range of sustainability-related learning resources. The recently launched ACCA Professional Diploma in Sustainability is a modular qualification with stackable credentials covering four certificates, which allow learners to acquire in-depth knowledge of:

1. sustainability frameworks and ethics
2. sustainability strategy and management,
3. sustainability reporting and
4. sustainability assurance.

After completing all four certificates, learners can opt to go through a final exam to be awarded a Professional Diploma.

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We offer other resources such as our course on Climate Finance which we developed with the CFA Institute and our Certificate in Sustainability for Finance for accountants, finance and business professionals which has been updated to incorporate the latest developments in the IFRS Sustainability Disclosure Standards. In the ACCA qualification, sustainability is integrated across the qualification exams, experience and ethics, and the qualification is updated annually to reflect the latest developments.

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

ACCA strongly supports the development of globally aligned sustainability reporting standards to promote consistency, comparability, and high-quality disclosures across jurisdictions. We view the IFRS Sustainability Disclosure Standards as the appropriate global baseline to enhance transparency and accountability. Any transition plan requirements introduced in the UK should have interoperability with the IFRS Sustainability Disclosure Standards and build on UK SRS S2.

We believe that international coherence is essential to reduce the reporting burden for multinational organisations and their value chains, enable better decision-making by investors, and support global progress towards sustainability goals.

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 support the TPT disclosure framework as a reference model for future UK disclosure obligations. The work of the TPT is useful in supporting organisations in considering their transition plans in depth, and assessing the different levers, collaborations and dependencies that will be necessary in achieving their targets.

Many ACCA members have used it as a baseline, although application varies by sector and size. Applying all of the disclosure sub-elements as set out within the TPT Disclosure Framework is complex and resource intensive for companies. Therefore, a proportionate and balanced approach is required.

Its continued evolution — especially with the integration of the IFRS Sustainability Disclosure Standards — will be essential.

The framework is particularly valued for:

- Offering structure and consistency.
- Highlighting the role of governance and finance.
- Supporting cross-functional planning.

We recommend keeping it as a voluntary but widely endorsed framework, potentially with phased or scaled obligations for smaller firms.

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.

The UK SRS S2 draft includes useful references to transition planning. However, ACCA members highlight a few gaps:

- More practical examples or case studies are needed, especially for SMEs.
- The interplay between mitigation targets and financial planning (e.g. capex alignment) could be better explained.
- Emphasis on short-term performance incentives linked to long-term targets would help drive implementation.[8]

[8] the-role-of-the-cfo-and-finance-function-in-the-climate-transition.pdf

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.**

   Adaptation and resilience planning is still underdeveloped in many organisations. UK SRS S2 could:

   - Provide more clarity on what constitutes robust resilience planning.
   - Offer sector-specific guidance or expectations.
   - Encourage scenario analysis around physical risks and their integration into strategic and financial planning.

   This area needs greater support and capacity building — even large organisations often silo climate adaptation in risk or sustainability teams, with little integration into core business and finance planning.

Section B1: Developing and disclosing a transition plan

Given the links between the above options and any requirements under UK SRS, we will account for your answers to questions 7 and 8 in considering your responses to the following questions.

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.**

   To accelerate meaningful climate action, governments could focus on the development and disclosure of five decision-useful components of a credible transition plan. These elements would enable businesses, regulators, and investors to assess progress, reduce risk, and ensure plans are not just theoretical but implementable.

1) **Clear governance and accountability:** A recurring challenge identified by respondents is the lack of clear ownership of transition plans. Even where plans exist, accountability is often fragmented. Disclosure of who is responsible—whether a sustainability lead, CFO, or board committee—ensures strategic oversight and implementation. Strong governance is essential to avoid transition plans becoming disconnected from financial decisions or buried within sustainability teams.

2) **Emissions reduction targets across all scopes:** Transition plans must include time-bound emissions reduction targets that cover Scope 1, 2, and, where relevant, Scope 3. The ACCA research data shows that nearly 70% of respondents without an emissions plan had no intent to create one, often citing a lack of business case. Requiring targets as part of regulatory frameworks would standardise ambition and address inertia, particularly in SMEs.

3) **Integration of climate risk into financial strategy:** Transition plans should show how climate-related risks and opportunities are integrated into the business model, investment decisions, and capital planning. Respondents noted that finance is increasingly involved in sustainability, yet scenario analysis and carbon pricing remain limited. Making financial alignment a core disclosure would drive more credible commitments and resource allocation.

4) **Internal controls and reporting integration:** Disclosure of internal controls, reporting systems, and how sustainability is embedded in performance management enhances trust in the plan. Currently, only some medium and large organisations—especially in North America—have internal controls in place. Mandating this would improve consistency and reduce reliance on manual processes and spreadsheets.

5) **Skills and data quality development:** Without upskilling and adequate resourcing, transition plans risk failure. The government should require organisations to disclose how they are building sustainability capabilities, improving data quality, and using technology to support implementation.

Respondents confirmed that data quality is improving but uneven, especially in smaller firms.

Overall, focusing these five elements would support consistency, reduce greenwashing, and give transition plans the structure and rigour needed to drive meaningful climate action.[9]

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.

We support the proposal to require entities to explain why they have not disclosed a transition plan, rather than mandating that they develop and disclose one. This aligns with the approach taken in the UK SRS S2 and reflects the current maturity of the market.

Advantages of this approach include:

- **Flexibility for preparers:** It recognises that many organisations, particularly outside the largest companies, are not yet equipped to produce credible transition plans.
- **Proportionate to current readiness:** It avoids imposing unrealistic expectations on organisations that lack the skills, systems, and clarity needed to comply. This reduces the risk of poor-quality or boilerplate disclosures. Our research highlights persistent resource and capability gaps across the finance profession—especially in emissions management and planning and developing a credible transition plans.
- **Supports gradual alignment:** It allows entities time to build internal understanding and begin reporting in line with UK SRS S2 and the TPT Disclosure Framework. This staged approach encourages meaningful engagement rather than compliance for its own sake. The government

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can play a key role in ensuring widespread market adoption of the UK SRS and TPT Disclosure Framework.

We believe that premature mandating of transition plans—without broad market readiness—would compromise both the quality of reporting and the effectiveness of policy objectives.

Looking ahead, we support moving toward mandatory transition plan disclosures for large entities (such as public interest entities), provided this is phased in carefully and supported by clear guidance and capacity building.

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.**

We prefer Option 1, where companies have to explain they have not disclosed rather than requiring entities to develop and disclose a transition plan.

We support the disclosure of transition plan information within annual reporting. This ensures ongoing transparency and integration with mainstream financial and strategic disclosures.

An additional standalone transition plan is also beneficial to provide further detail. We believe that entities should publish a dedicated, standalone transition plan document at least every three years, with interim updates in years where significant changes to the plan occurs. This aligns with best practice guidance from the TPT.

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.**

Not answered

Pension funds

13. How do you think any new transition plan requirements should integrate with the existing requirements in UK law for some larger schemes to produce TCFD reports and to calculate the portfolio alignment metric?

Not answered

14. To what extent does your pension scheme already produce transition plans? What are their intended purposes, what information do they draw on, and what challenges have you encountered in developing them?

Not answered

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.

ACCA recognises the benefits of the government requiring the implementation of transition plans: it helps ensure that ambition is matched by action and promotes accountability. Without the actual implementation of transition plans, achieving net zero will be impossible. However, it's important to strike a balance—while policies must drive the transition to a net zero economy as quickly as possible, they should not impose such a heavy regulatory burden on entities that their focus shifts from reducing emissions to simply meeting regulatory requirements.

We encourage the government to reflect on the lessons learned from the EU Corporate Sustainability Due Diligence Directive (CSDDD), which initially included requirements for companies to adopt and put into effect a transition plan for climate change mitigation. Under the EU Omnibus proposals, and subsequent negotiations,

this has been relaxed. This was due to industry pressure over the regulatory burden, competitiveness priorities and alignment with the requirements under other directives, e.g. the Corporate Sustainability Reporting Directive (CSRD). ACCA encourages the government to consider the lessons learnt from the CSDDD when determining whether to mandate transition plan implementation.

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?

In the absence of a legal requirement to implement a transition plan, market mechanisms can still play an important role in driving delivery—but their effectiveness will vary depending on the maturity of the company, industry pressures, and investor expectations. Several key market-based mechanisms can incentivise delivery on a transition plan:

1. Consistency in reporting: A joined-up approach between financial audit and sustainability assurance can play a role in driving accountability for transition plan implementation. Assurance providers assess whether disclosures are consistent over time, internally coherent, and aligned with recognised frameworks (such as the TPT Disclosure Framework). Increasingly, they also consider whether climate-related disclosures are consistent with financial statements. This integrated scrutiny helps ensure that transition plans are not treated as standalone statements, but as core business commitments. Over time, this consistency across reporting—reinforced through assurance—creates a credible expectation of delivery and may act as a de facto enforcement mechanism. Failure to demonstrate progress may be flagged by assurance providers and interpreted by the market as a signal of inaction or greenwashing.

2. Reputational impacts: For many organisations, especially consumer-facing or publicly listed entities, reputational risk remains a strong motivator. Transition plans that are disclosed but not implemented can lead to public criticism, scrutiny from civil society and NGOs, and pressure from shareholders. As climate reporting becomes

more transparent and accessible, failure to deliver on public commitments is likely to damage stakeholder trust and brand value.

3. Legal and litigation risks: Although implementation may not be mandated, legal risks still exist. Disclosing a transition plan creates expectations among investors, regulators, and other stakeholders. If companies fail to act on their own stated plans—particularly where these relate to climate targets, financial risk, or strategy—they may face litigation risks tied to misrepresentation, breach of directors' duties, or failure to manage foreseeable climate-related risks.

4. Accountability from financial institutions: Financial institutions are becoming increasingly active in holding investee and portfolio companies accountable for climate action. Through stewardship, engagement, and financing conditions, banks, insurers, and asset managers can exert significant influence on companies to follow through on transition plans. This includes linking lending terms or investment decisions to the delivery of credible milestones. Where possible, financial institutions should adopt a consistent and transparent approach to assessing credibility and holding companies accountable, to prevent companies seeking or servicing finance from having to meet differing reporting requirements.

In the development of ACCA's Sustainability Reporting – The Guide to Preparation, published in November 2023, an amalgamation of comments from global roundtable participants, including accountancy, business and finance professionals included:

'Sustainability-related targets tend to be based on long-term aspirations, but care is needed to balance investors' expectations against the organisation's ability to meet the targets set and reporting on its progress. Investors often assess organisations annually, and the investment community holds these organisations accountable for disclosures made.'

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?

Mandating transition plans that align with net zero by 2050 offers benefits: it enhances consistency, reduces greenwashing, accelerates emissions reductions, and increases accountability through interim milestones aligned with science-based targets. It is also aligned with the government's ambitions. However, ACCA research reveals a mixed picture of readiness and capacity.

The majority of organisations that ACCA members work in do not currently have a transition plan in place.

Transition planning remains a low priority for many, despite the climate emergency. Nearly 70% of respondents without emissions plans expressed no intention or urgency to develop one, with many citing a lack of clear business benefit as the main reason. This was especially evident in smaller organisations and public sector bodies.

Unclear ownership and poor governance were highlighted as key barriers to success.

Even among organisations with transition plans, responsibility and accountability are fragmented, leading to low confidence in implementation.

The majority of respondents (56%) saw emissions plans as both a cost and a benefit.

More respondents saw them as a benefit (26%) than as a cost (13%), with medium-sized companies more likely to perceive costs than larger or smaller ones.

Mitigation actions by the government could include:

- Providing the emissions reduction requirements by sector and organisation size.
- Offering sector-specific guidance and toolkits.
- Providing incentives and showcasing business benefits.
- Funding emissions data tools and internal control frameworks.
- Promoting cross-functional leadership (especially from the finance team) to drive planning.[10]

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ACCA also believe that the Government must raise its efforts in not just setting net zero targets by a specified year, but also interim targets for the end of each decade leading up to 2050. More importantly, it needs to outline strategies and plans to realise the achievement of those targets. This should cover key industries, energy sources, mandates for business and society – as well as including policy interventions that both incentivise and disincentivise required outcomes for the wellbeing of future generations.

18. Which standards and methodologies are effective and reliable for developing and monitoring climate-aligned targets and transition plans, in particular those that are aligned with net zero or 1.5°C pathways? Where possible, the government would welcome evidence from entities that have used such methodologies, explaining how they have arrived at that conclusion.

Consistency and comparability are essential for effective transition plans. We encourage organizations to adopt consistent standards and methodologies, aiming for market convergence around a few key approaches. Lack of consistency undermines comparability, making it difficult for investors and stakeholders to use transition plans in decision making.

We strongly support the use of the IFRS Foundation's guidance on transition plan disclosures, alongside the TPT Disclosure Framework. These frameworks provide a clear approach that helps entities structure credible transition plans with full compatibility with the ISSB Standards as a global baseline.

19. What are the unique challenges faced by hard-to-abate sectors in setting and achieving targets in transition plans aligned to net zero by 2050 – including interim targets? What methodologies or approaches would enable transition planning to support hard-to-abate sectors to achieve net zero by 2050?

Not answered

20. For entities operating in multiple jurisdictions, what are your views on target setting and transition planning in global operations and supply chains?

The UK Trade Strategy emphasises strengthening the UK's global competitiveness and building resilient, sustainable supply chains. In this context, target setting and transition planning across global operations are essential for UK-based entities to meet international expectations, maintain market access, and support alignment with trade partners' climate and sustainability standards. It is also essential for effective transition planning and credible target setting.

However, the government must also recognise the practical challenges involved in collecting data across different jurisdictions and complex global supply chains.

Our research highlighted that multinational organisations face:

- Inconsistent regulatory environments.
- Varying levels of sustainability maturity by geography (e.g., Africa lags, while North America and larger firms lead).
- Difficulty aligning internal controls across operations.[11]

This can make it challenging to understand appropriate targets and measure progress against these.

Recent developments in the EU —particularly the scaling back of supply chain due diligence under the Omnibus package and subsequent negotiations —highlight the growing pressure to reduce administrative burdens and preserve international competitiveness. This demonstrates that while setting targets is critical, excessive compliance demands can risk discouraging trade and overloading companies, especially SMEs.

We therefore believe that transition planning and target setting across global operations and supply chains should be:

- Risk-based and proportionate to company size and influence in the supply chain.

[11] Step up sustainability action

- Supported by clear, internationally aligned standards to avoid regulatory fragmentation.
- Designed to balance meaningful sustainability action with cost-efficiency, ensuring that the effort to obtain data is proportionate to the benefit it delivers.

A well-calibrated approach will enable the UK to promote sustainability leadership without putting businesses at a competitive disadvantage in global markets.

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?

Climate adaptation is an essential yet a frequently under prioritised element of transition planning. While climate mitigation typically receives greater focus, adapting to physical climate impacts is critical for business continuity and resilience. According to the ACCA Global Economic Conditions (GECS) 2023 survey, two-thirds of respondents said their organisations are not investing enough in climate adaptation. Only one-third reported plans to increase spending, despite growing climate-related disruptions.

The survey highlights region-specific risks: in Africa, respondents emphasised power outages caused by extreme weather, while in North America, over 40% cited employee health and absenteeism as significant climate-related risks. These operational threats reinforce the urgent need to embed adaptation strategies in transition plans, particularly as physical climate impacts intensify.

There is a clear role for governments to require that companies incorporate adaptation into their transition plans. Without regulatory push, adaptation tends to lag — especially in SMEs with limited capacity. Standardising expectations for physical risk assessments, resilience investments, and continuity planning will help ensure that all businesses make meaningful progress. Regulation can also help

avoid overreliance on voluntary action and bridge capability gaps across geographies and sectors.[12]

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 2°C and 4°C scenarios are broadly accepted as useful benchmarks for climate risk planning, but the ACCA GECS Report 2023 shows limited application across organisations. Many companies lack the internal skills or tools to interpret scenario outputs and convert them into actionable strategies.

The survey found that only 29% of respondents view adaptation as a way to avoid economic loss, and just one-third see it as a business opportunity. Meanwhile, 21% still perceive adaptation primarily as a cost. These findings suggest that scenario-based planning is underutilised and often misunderstood.[13]

Companies need greater support in translating high-level climate scenarios into practical business decisions. This includes government-backed guidance, sector-specific risk models, and improved access to local climate data. While the 2°C and 4°C scenarios remain appropriate, they must be contextualised with regional risks—like flooding, water stress, or labour disruption—to ensure meaningful business relevance.

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

[12] https://www.accaglobal.com/gb/en/professional-insights/global-profession/climate-disruptions.html
[13] Continuity in a climate crisis

outlined in this section to facilitate organisations transitioning to become nature positive?

We believe that nature should be integrated into transition plans alongside climate, reflecting that biodiversity and ecosystems are foundational to long-term resilience and reaching net-zero. The end goal for a transition plan should be a holistic sustainability plan linking climate, nature, and people.

However, we acknowledge that nature policy is less developed than climate and agree that any future nature requirements should be developed over a longer time horizon and should be subject to further consultation.

We completed research, in collaboration with the Adam Smith Business School, on evidence on companies' biodiversity disclosures. It found that there is considerable room for improvement in the adoption of nature-related reporting and the quality of the disclosure by early adopters of existing frameworks.[14] Therefore, we recommend that the government offers transition relief for any nature-related reporting requirements.

We also acknowledge that smaller, lesser-resourced SMEs have equally crucial roles in achieving net zero and nature transition, leading to a more sustainable future for all. With the growing amount of sustainability-related regulatory, business and reporting requirements, it is thus important for the Government's further work to involve more representative organisations from the SME sector.

Potential advantages include:

1) **Systemic change through better reporting and action:** Nature-related disclosures can catalyse operational change, improve transparency to investors, and drive capital allocation toward nature-positive investment.
2) **Opportunity for value creation:** Our research shows significant opportunity in using nature reporting for risk management, strategic planning, cost savings and innovation.
3) **Aligned frameworks:** We commend and welcome how the Taskforce on Nature-Related Financial Disclosures (TNFD) builds on the TCFD, which is now the responsibility of the IFRS Foundation. ACCA has consistently

[14] Empowering business: navigating nature-related reporting | ACCA Global

advocated for a global approach to the development of sustainability disclosure standards which can provide a consistent and comparable global baseline to sustainability reporting around the world.

Potential disadvantages:

1) **Complex terminology:** Terms like “nature-positive” remain insufficiently defined and may cause confusion without further clarity, more work to be done to better clarify and define terms.
2) **Data issues:** Many early adopters of nature-related reporting either lack access to high-quality data or struggle to understand which data is most appropriate. Many SMEs are also unlikely to be able to deliver on nature-related data requests.
3) **Resource intensity:** Additional burdens for smaller or under-resourced organisations—especially with overlapping climate and nature reporting requirements—requiring support to avoid undue burden

In addition to the steps you’ve outlined, we’d also suggest the following:

- **Supplement with case studies and examples:** Guidance should include illustrative examples to help organisations translate principles into practice.
- **Capacity building:** Finance professionals and SMEs must be supported to develop foundational knowledge in nature-related matters, aligned with ACCA’s guidance that accountants need to understand material nature-related risks, opportunities, dependencies and impacts.
- **Pilot more diverse participation:** ACCA supports pilot testing any requirements with SMEs and actors from a range of industries to ensure guidance reflects a variety of contexts.

We see the value in nature-related reporting, but note that it is important to ensure that the reporting catalyses the necessary systemic change: that operational changes take place in the entities making these disclosures; better quality of information becomes available to investors, who will then use these disclosures to allocate capital more efficiently and responsibly.

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?

When determining the scope of any future transition plan requirements, the government should carefully consider several key factors to ensure that the requirements are effective, practical, and aligned with market realities. We urge you to consider the following:

1. **Engagement with stakeholders:** A robust consultation process with a broad range of stakeholders—including preparers, financial institutions, assurance providers, and civil society—is essential. Engagement helps identify practical challenges and opportunities, and ensures that requirements are relevant, achievable, and aligned with existing frameworks and standards. We believe that dialogue between policymakers and stakeholders, including the finance profession, is essential to build consensus and encourage adoption. This current consultation on outline plans is a good start.
2. **Proportionality of requirements:** Transition plan requirements should be proportionate to the size, complexity, and sector-specific risks of entities. Smaller organisations, including SMEs, and those in certain sectors often face resource and capability constraints that make comprehensive transition planning challenging. Tailoring requirements to reflect these differences will help avoid undue burdens and encourage broader compliance while ensuring meaningful disclosures from high-impact companies.
3. **Use of transition reliefs and phased implementation:** Where appropriate, transitional reliefs and phased implementation approaches should be incorporated to support companies' capacity building. We advocate for a measured, staged rollout of requirements that allows organisations time to develop the necessary expertise, governance frameworks, and data systems. This reduces the risk of poor-quality disclosures and supports the development of credible, decision-useful transition plans over time.

4. **Alignment with other consultations :** It is crucial that transition plan requirements align with other reporting and assurance requirements, both in the UK and abroad. We welcome that this consultation has been released alongside consultations on the UK SRS and developing an oversight regime for assurance of sustainability-related financial disclosures. ACCA emphasises that clarity and consistency in reporting and assurance expectations will underpin market confidence and support regulatory objectives.
5. **Understanding market expectations, especially from financial institutions:** The government could define the scope of transition plan requirements based on the decision-useful information that investors need. This means understanding how the banking and financial services industry (BFSI) currently evaluates existing and potential clients' transition planning, in line with the requirements included within the UK SRS S1 and S2. For example, if BFSI primarily use the capital deployment metric and governance disclosures to assess credibility, then the focus should be on enabling the ease of disclosure of this information. Aligning policy with these market-driven expectations should ensure the requirements are relevant, practical, and consistent with financial sector needs and the UK SRS.

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?

We welcome the government's focus on ensuring that future transition plan requirements take into account the realities and capacities of those operating within the supply chains of large entities.

Smaller companies - particularly SMEs - play a vital role in the sustainability transition, but often lack the technical, financial, and resources to meet the same expectations as larger firms. If requirements are not tailored appropriately, there is a risk that these entities may face disproportionate compliance burdens or be excluded from value chains altogether.

We therefore recommend that the UK adopt a graduated and risk-based approach, similar to the EU's proposed use of a voluntary reporting standard under the CSRD. The voluntary reporting standard under the CSRD, which will be based on the Voluntary Sustainability Reporting Standard for SMEs (VSME), offers a more accessible and proportionate reporting mechanism for smaller companies, allowing them to respond to increasing information demands from business partners using a standard template without the cost or complexity of alignment to full requirements.

Market acceptance is key to the uptake of such a voluntary reporting standard. Government guidance and industry engagement will therefore be essential to promote consistency, clarify expectations, and support smaller companies in building internal capacity over time.

26. Do you have any views on how the government could redefine the scope to protect the competitiveness of the UK's public markets?

Not answered

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?

Not answered

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?

To effectively support entities in disclosing transition plans and forward-looking information within the UK's wider legal framework, several changes should be considered:

1. **Clear assignment of assurance oversight:** Oversight of assurance over transition plans and forward-looking disclosures needs to be clearly defined. There would need to be clarity over which body would have responsibility - be it the Audit, Reporting and Governance Authority (ARGA) or another regulator. Clarity on a regulatory authority with oversight powers is essential to ensure consistency and credibility.
2. **Coherent enforcement mechanisms:** Any oversight regime must include clearly articulated enforcement mechanisms, including fines and penalties. Lessons from the EU's CSRD highlight that ambiguous or inconsistent penalties across organisations led to confusion and reduced uptake. To avoid this, the UK should define transparent, proportionate sanctions tailored to different types of entities to encourage compliance.
3. **Integration with existing legal structures:** The framework should align with existing reporting and corporate governance laws to avoid duplication or conflict. This will facilitate smoother implementation and reduce burdens on companies navigating multiple regulatory regimes.

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?

Not answered

30. Are there specific elements of transition plan requirements or broader policy and regulatory approaches from other jurisdictions that the government should consider?

Yes, there are several elements from other jurisdictions that the government should consider when designing transition plan requirements.

- **Proportionality** is essential to ensure that requirements are practical and do not overburden smaller entities, particularly SMEs. This supports broader adoption and reduces compliance risk across the economy.
- **Competitiveness and investment attractiveness** must be maintained. Transition plan requirements that are overly complex or inconsistent with global frameworks risk deterring investment and creating barriers for cross-border trade.
- **Talent and skills shortages** must be addressed. As seen in the EU with the rollout of the CSRD, new sustainability reporting demands have intensified skills shortages. A clear and phased approach, coupled with upskilling initiatives, will be necessary to support successful implementation.
- **Alignment with market expectations** is also key. Even in jurisdictions without mandatory transition planning rules investors and financial institutions are increasingly demanding credible transition-related information. Leveraging these market dynamics will enhance the effectiveness of any future regulatory framework.

31. How can transition planning contribute to achieving the UK's domestic net zero targets while ensuring it supports sustainable investment in EMDEs, where transition pathways may be more gradual or less clearly defined?

Many EMDEs are integral to global supply chains and resource flows that affect the UK's own decarbonisation efforts. Therefore, transition planning in the UK should reflect international dependencies and support a globally coherent pathway to net zero.

The UK is a recognised leader in sustainability and net zero policy. By embedding transition planning into its corporate and financial regulatory frameworks, the UK can continue to set global benchmarks and influence international leading market

practice, including in EMDEs. This leadership must be maintained through collaboration, capacity building, and knowledge sharing.

As a global professional body, ACCA supports alignment with international frameworks such as the ISSB Standards and the TPT Disclosure Framework. These standards and frameworks can help ensure that transition planning remains consistent and comparable across borders. Many EMDEs are already engaging with these standards— Nigeria, for example, was among the first countries to adopt the ISSB Standards. The UK can benefit from lessons learnt in these jurisdictions.

By promoting adoption of these frameworks and encouraging UK-based investors and companies to use them when working in EMDEs, the UK can support sustainable investment that respects local contexts while still aligning with global net zero goals.

32. How could transition planning account for data limitations, particularly in EMDEs, where high-quality, comparable sustainability reporting may be less available?

Transition planning can account for data limitations, particularly in EMDEs in the following ways:

- **Prioritise decision-useful metrics:** Transition plan could focus on key metrics that are most decision-useful for investors and stakeholders. Not all data will be equally material, and identifying which disclosures are essential can help focus reporting efforts in low-data environments. This avoids overburdening organisations in EMDEs while still providing meaningful insights. This was summed up nicely by a participant at a recent roundtable held by ACCA as: *"Make the important measurable and not the measurable important"*
- **Align with transition reliefs under UK SRS:** Phased or delayed requirements for challenging metrics allow EMDE-based suppliers or subsidiaries time to build reporting capabilities without being immediately penalised. For example, the phased requirement for scope 3 data.

- **Promote supply chain engagement:** Large organisations - including those based in the UK - should be encouraged to engage actively with their supply chains in EMDEs, supporting them in data collection and reporting. This could include providing tools, training, or shared reporting platforms. Transition planning that explicitly considers the role of upstream and downstream partners can help improve data quality across jurisdictions over time.

33. What guidance, support or capacity building would be most useful to support effective transition planning and why? For respondents that have developed and/or published a transition plan, what guidance, support or capacity building did you make use of through the process? Please explain what additional guidance would be helpful and why?

There is a lot of guidance already in the market, a clear mapping on where guidance can be found would be beneficial. This would help direct entities to core pieces and hopefully avoid fragmentation when organisations are using a range of different pieces of guidance resulting in different approaches being taken.

As transition plan requirements develop and become more widespread, it would be beneficial to have more practical examples from different sizes or organization across different industries.

It would also be helpful to consider change management practices as transition planning is a challenge to traditional thinking and behaviours and will involve the reassessment of how business models function in the medium- to long-term. Some of these themes are explored in our Chief value officer – the important evolution of the CFO report.

ACCA has several reports and relevant pieces of guidance, including:

- Professional Diploma in Sustainability – equips people to lead, implement, and manage sustainable transition plans within organisations.
- Training courses – including sustainable finance, frameworks, assurance, reporting, strategy and management. Our sustainability disclosure courses are aligned with the ISSB Standards.

- Weathering the storm: Building resilience against climate disruptions | ACCA Global
- The role of the CFO and finance function in the climate transition: driving value and sustainability